

A Plan for a Decade of Progress

Actions for Vermont's Economy

Vermont Economic Progress Council

1996 Report

Vermont Economic Progress Council

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January, 1997

To the Governor, Honorable Speaker of the House, and Senate President Pro Tem:

I am pleased to submit the 1996 Report of the Vermont Economic Progress Council. It is the Council's third annual report and we feel it represents our most comprehensive and complete effort to date.

As instructed by the enabling legislation, we continue to be a forum for government and the private sector to work together to create and update a long-term economic development plan. In this capacity we have held hearings, reviewed many letters expressing well thought out ideas, and met and counseled with representatives of various state agencies, departments, councils, and boards. We have also listened intently to what our business associates and neighbors in our schools and communities are saying about Vermont's economy.

On a positive note, Vermont's economy is steadily growing. We seem to be out of an economic crisis mode. Job creation has been sufficient to keep the unemployment level near four percent and income tax receipts into the General Fund were up more than 12 percent in FY 1996. The latter is *one* indication that Vermonters, on average, are doing better.

This good news is tempered, however, by a failure to gain on our primary goal of

reaching an average Vermont wage equal to the national level. In fact, we have lost ground and find ourselves just under 85 percent of the national average.

What can we do about this? In this report are 56 recommendations that we believe will help Vermont move toward that goal. Eleven of these are *Priority Recommendations*, meaning we will place special emphasis on *implementing* these key areas. The priorities are outlined in the Executive Summary and described in more depth in Part V.

Our first two priorities relate to education. This underlines the Council's concern that economic development can only be sustained if we have a competent workforce, ready to fill both the jobs of today and those of the future. We look forward to working with you and with business people and educators throughout the state to make the best use of our limited financial resources in order to develop a world-class workforce.

The Council's emphasis this year will be on implementation. While our focus will be on the 11 priorities, we will continue to track and work on the other 45 recommendations. Economic development is a highly collaborative effort and other groups and people are taking the lead on various initiatives in this report. In addition, we will seek out new strategies during the coming year.

The Council expresses its thanks for the opportunity to serve in this capacity. We hope our work, reflected by this report, will prove useful to you and others around the state.

Sincerely,

Robert G. Clarke
Chair, Vermont Economic Progress Council

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In addition to those who served on panels and work groups (see Appendix B), the Council would like to thank the following people for their assistance during the course of the past year:

Susan Barber, Joss Besse, Mark Blucher, Jo Bradley, Sally Cavagnah, Vaughn Collins, Jeanie Crosby, Gregory Maguire, Denise Diehl, Chip Evans, Ken Feld, Kathy Fisher, Stephanie Gray, Michael Griffin, Roberta Harold, Maryann Konstantin, Sandy McDowell, Herb Olson, Steve Patterson, Linda Perez, Lynda Royce, Dave Tanner, Patricia Wakefield, Sandi Young.

Executive Summary

The Vermont Economic Progress Council (Council) was established in 1994 by the Vermont Legislature. The Council succeeded the Vermont Partnership for Economic Progress (VPEP), which was created in 1993 by Governor Dean's Executive Order. The Council is charged with creating and monitoring a ten-year economic development plan for Vermont and reporting annually to the Governor and the General Assembly. The report is to include recommendations for implementing the ten-year plan. The 15-person Council is comprised of Governor and Legislative appointees and the Secretary of the Agency of Commerce and Community Development.

This 1996 report, the Council's third, states goals for employment, wages, and per capita income; reports on the current status of those goals; documents the accomplishments of the Council to date; lists data for 79 indicators that measure the health of our economic, social, cultural, and environmental systems; and makes 56 recommendations for actions to help build a healthier economy. The recommendations, organized under nine policy areas, are drawn from what we have learned through various meetings, conferences, public hearings, and research. The Council works in a collaborative manner to encourage implementation of its initiatives. We have no formal authority to direct resources and rely heavily on agreement and cooperation among various entities to develop and promote these recommendations.

Since 1993, the Council and VPEP have offered 126 recommendations, including those in this document, to improve the pace of economic development in Vermont. A brief history and status report of these initiatives is included in Part II of this report.

Vermont's economy has been generating jobs at a reasonable pace and at a higher rate than the nation as a whole. However, new jobs are not paying as well as existing or replaced jobs.

Goals for Vermont's Economy

Each of the Council's recommendations aims to help meet three basic objectives for Vermont:

1. *Full employment*, by creating 66,000 jobs between 1994 and 2004 and maintaining an unemployment rate of no more than 4%;
2. Bringing Vermonters' *average wages* and *average per capita income* up to 100% of the national averages; and
3. Maintaining Vermont's unique *quality of life*.

The Current Economic Status of Vermont

Vermont's economy has been generating jobs at a reasonable pace and at a higher rate than the nation as a whole. The resulting *job growth* has brought the unemployment rate down from 6.7 percent in 1992 to 4.4 percent in 1996.

A trend has continued, however, that new jobs are not paying as well as existing or replaced jobs. As a result, Vermont's 1995 *average wage* of \$23,582 was 84.7 percent of the national average, which was down from 85.6 percent in 1994 and 86.3 percent in 1992.

Likewise, the relative *average per capita income* has also seen a decline. In 1995, Vermont's per capita income was 91.5 percent of the national level. In 1994 it was 92.6 percent and in 1992, 93.4 percent.

Assessing the current status of Vermont's quality of life requires more subjective judgments. While some of the 80 indicators in Part III are aimed at assessing these more subjective areas, measuring quality of life is a long-term and ongoing undertaking. The benchmarking study discussed in Policy Area Nine could lead to a broad-based process of identifying and setting goals for key quality of life indicators. We will report on this process as it evolves.

Recommendations for Action

Of the Council's 56 recommendations, 11 are *Priority Recommendations*, meaning we will place special emphasis on implementing these key initiatives. The rest of this summary briefly explains these priorities.

Priority #1A: Build on *The Green Mountain Challenge*

Objective: Restructure Vermont's preK-12 educational system.

Currently, the State Board of Education has in place *The Green Mountain Challenge, High Skills for Every Student, No Exceptions, No Excuses*. This document cites three areas in which to focus work:

1. Develop student content and performance standards that match or exceed the best in the nation and the world,
2. Build a comprehensive assessment system to determine whether those standards are being met, and
3. Develop a system which provides opportunities necessary for *all* students to learn.

Some of this work will be done at the state level, but local school districts must develop their own curriculum and assessment tools to meet statewide student standards set forth in the *Vermont Framework of Standards and Learning Opportunities*.

We support the Governor, the State Board of Education, and the Department of Education in their efforts to develop a statewide assessment system and recommend that this work be funded in the FY 1998 budget. Once the program is implemented and statewide standards are established, we see that the next logical step is to institute the Vermont Certificate of Initial Mastery. The CIM would establish benchmarks for basic skills and content for high school graduates.

We support the Governor, the Board of Education, and the Department of Education in their efforts to develop a statewide assessment system.

The Vermont School Report is a tool for defining accountability indicators, measuring them, and identifying which school programs need assistance in meeting standards. The Council strongly supports the work being done by the Board and Department of Education in developing this tool.

Priority #1B: Restructure Vermont's Secondary and Post-Secondary Technical Education System

Objective: Develop an integrated statewide design and mission for the state's 16 technical centers.

Technical centers can, and should, play a vital role in both preparing future employees and retraining the existing workforce. As currently structured, the technical centers lack a statewide design to prepare students for our high technology future. The Council endorses the need for radical change and proposes that this redesign should happen in the near future.

This topic is a major focus for the Council. We propose to partner with the HRIC and the Board of Education to organize statewide hearings and forums to review the technical education system. These forums would specifically include the Department of Education, the Vermont State Colleges, and the Department of Employment and Training. The Council stresses that pilot programs should field test any new system design.

Priority #3: Review of Permitting Statutes and Rules.

Objective: Streamline Vermont's permitting systems by determining the viability and compatibility of existing statutes and rules.

While there are various regulatory agencies in state government, our efforts are focused on those which affect the greatest number of businesses — the Department of Labor & Industry, the Agency of Natural Resources, and the Environmental Board. These reviews should be cyclical, with *each* statute or rule examined at least

every five years. Systematic reviews of rules are in various stages in each of these administrative bodies.

We list eight review criteria for assessing statutes and rules:

1. The statute and rules are needed.
2. The statute and rules are current.
3. Interpretation of the statute and rules is predictable.
4. The lay person can understand the permitting process.
5. The permitting process is timely.
6. The administration of the process is professional.
7. There is adequate cross-agency contact to minimize overlap of jurisdiction and enforcement.
8. The statute and rules achieves the intended results consistent with public policy.

Priority #4: Comprehensive Study of Vermont's Tax System

Objective: Ensure a competitive and stable tax policy.

The Council was consulted by the Joint Fiscal Office (JFO) in the design of a 1996 tax study. The JFO's work was not intended to be a *comprehensive* study, which would include public comment and policy recommendations. We see the JFO study as a first step of a comprehensive study of Vermont's tax system.

The JFO study indicates that Vermont's *average* individual and corporate income tax burdens are in the mid-range compared to other states but that the individual *marginal* rates are the fifth highest in the nation. The result is that the top half percent of individual taxpayers provide 15 percent of the income tax revenue. The Council feels that any increase in these marginal rates would be unwise.

The Council believes a comprehensive study should address five questions not answered by the JFO study —

- Does the current revenue system have a structural, or built-in, deficit?

- How is the current burden of taxation distributed (income levels, industry sectors, geography) throughout the state?
- What is the capacity of the various sources of tax revenue, and to what extent is that capacity being utilized?
- What changes should be recommended that will: (1) be fair, (2) provide adequate revenues for government services, and (3) encourage a stronger, diverse, and sustainable economy?
- How can education financing be structured to address the disparity in property tax burden among cities and towns? What are the political realities of resolving whether more of the cost should be paid by broad-based taxes?

Priority #5: Restructuring of the Electric Utility Industry

Objective: Lower Vermont's energy costs for the purchase and sale of electricity, in a manner that benefits and is fair to all customer classes and stakeholders, while protecting the environment.

On December 31, 1996, the Public Service Board (PSB) issued its Report and Order for a restructuring of the electric utility industry. If the Board's proposal is approved by the Legislature, the result will be a radical transformation of the electric utility industry, including the ability of customers to buy power competitively from sources other than their traditional utility by January, 1998.

The Council has been advised that Vermont's timeline for restructuring should coincide with other states. We also urge that Vermont utilities be given adequate opportunity to recover unmitigated "stranded costs" that have been incurred due to regulatory directives.

Once these costs have been provided for, we expect Vermont utilities to compete on price with out-of-state energy providers. This competition must respect, however, the 14 principles developed by the 1994/1995 forums on competition held by the PSB.

Priority #6: Broad-based Telecommunications Planning

Objective: Guide the development of telecommunications infrastructure and applications in Vermont.

Considering the importance of telecommunications to economic development, VEPC proposes to host a meeting early in 1997 involving those most interested in telecommunications policy. We will include representatives from the public, private, and non-profit sectors who are working directly with telecommunications *applications*. The express purpose of this meeting will be to establish an *ongoing* group or structure to lead broad-based statewide telecommunications planning. Three principles guiding this group's work should be — (1) **Prioritization** of the recommendations in the Department of Public Service's 1996 Telecommunications Plan, (2) **Action orientation** to keep pace with rapid developments in telecommunications technology and applications, and (3) **Follow-through** in taking the lead in implementing recommendations.

This planning effort should not diminish the fact that the vast majority of the telecommunications infrastructure will be financed by the private sector through competition.

The Council feels Vermont businesses would benefit from a resource center that maintains a telecommunications applications inventory. Such an inventory could include a description of uses and capabilities for each application, the type of line or network needed to use the application, vendors who offer it, and the approximate costs.

We also recommend computer crime legislation to bring Vermont up-to-date with other states.

Priority #7: Implement the Vermont Long Range Transportation Plan

Objective: Give priority to aspects of the Long Range Transportation Plan which best advance economic development.

As the Agency of Transportation's (AOT) Plan is implemented, we urge that transportation-related economic development incentives coincide with other programs and policies, including regional economic development priorities. We further urge that the regions identify transportation facilities that are limiting economic development.

The Council also recommends that an Economic Development Set Aside for "just in time" transportation be appropriated \$500,000 and be jointly administered by the AOT and the Agency of Commerce and function in conjunction with the state's growth center policy and regional town plans.

We ask the AOT to work with our Congressional delegation to support re-authorization of Federal ISTEA legislation which allows 10% of federal transportation dollars to go towards "nontraditional" uses.

Priority #8: Enhance Vermont's Decentralized System of Economic Development Programs

Objective: Provide incentives for the various entities in this system to make the best collective use of available resources.

In the last year, all 12 regions submitted joint regional block grant plans which addressed issues involving closer coordination among regional planning commissions, regional development corporations, and chambers of commerce. We support this type of planning and encourage that future funding be tied to results from regional cooperation.

There is a significant amount of funds that flow into the state through private foundations and state and federal government

programs. The people responsible for these programs in Vermont met in 1996 at the Rural Development Summit to see how their programs can be better coordinated. They committed to developing a common loan and grant application. We urge more such cooperative efforts.

The Council discourages further cutbacks (and encourages strategic increases) for state-supported economic assistance and community development programs. These programs infuse significant amounts of leveraged funding into the economy.

Priority #9: Strengthen Vermont's Downtowns

Objective: Preserve and enhance the viability of traditional central business and cultural hubs of towns and cities.

Downtowns are a natural location for certain types of small businesses and they showcase historic structures that are a natural attraction for tourists. They provide a central base for the arts, places of worship, town gatherings, and community celebrations. Perhaps most important, many Vermonters reside in our downtowns.

The Agency of Commerce and Community Development's proposed Downtown Community Development Act would develop pilot projects to target public investment in infrastructure, housing, historic preservation, transportation, business financing, Community Development Block Grant funding, and regulatory assistance, to encourage both the preservation and greater use of our downtown districts. We support the Agency's proposal, which supplements, not supersedes, state support for development outside of downtowns.

Downtowns provide a central base for the arts, places of worship, town gatherings, and community celebrations. Perhaps most important, many Vermonters reside in our downtowns.

Priority #10: Ongoing Planning for Science and Technology

Objective: Support the Vermont Technology Council in its efforts to implement the Vermont Science and Technology Plan

The Vermont Technology Council updated the Vermont Science and Technology Plan in December, 1996. The Plan places emphasis on the development of four Centers for Excellence: The Vermont Center for Food Science, the Partnership of Environmental Technology and Science, the Applied Biotechnology Center of Vermont, and the Advanced Materials Technology Center. It also supports various infrastructure initiatives including Vermont EPSCoR and the Vermont Manufacturing Extension Center. The Plan promotes establishing a Patent and Trademark Depository and Library and facilitation of technology transfer from the research lab to commercial production.

We support the Technology Council in all these projects, which are funded largely through the private sector.

Priority #11: Study of Statewide Benchmarking

Objective: Explore whether statewide benchmarking will be useful in Vermont and, if so, determine which models hold the most promise.

Benchmarking is a re-engineering tool that can help meet the demand for increased accountability in government. A well-designed benchmarking process, providing consistent and reliable information, could help forge greater cooperation among various stakeholders in funding issues and serve to transcend partisan politics on major policy issues.

The Council is currently participating in a study funded by the Vermont Council on Rural Development to determine the feasibility of a benchmarking process in Vermont. We will complete that study by Fall of 1997, and will make specific recommendations on how to proceed at that time.

Part I: Overview, Goals for Vermont's Economy, and Current Status

“The General Assembly finds that long-term economic development planning is needed to build a diverse and sustainable economy, and to increase the well-being of Vermonters and their communities without compromising the quality of our environment. The Vermont Economic Progress Council will be a forum for government and the private sector to work together in the public interest to create economic development plans for a diverse, sustainable economy for Vermont.” [Economic Progress Act of 1994]

With these words, the Legislature created the Vermont Economic Progress Council (Council) as the successor to the Vermont Partnership for Economic Progress (VPEP), which had been formed by Governor Dean's Executive Order in 1993. The Council has 15 members: Twelve are appointed by the Governor, including representatives from the manufacturing, education, agricultural, and tourism sectors; one member is appointed by the House and one by the Senate; the Secretary of the Agency of Commerce and Community Development is the 15th member.

The Council makes recommendations to the Governor and the Legislature for *implementing* the state's long-term economic development planning agenda. This document is the fourth in a series of annual reports issued by VPEP and the Council. A draft of this report was issued November 13 and public comments were accepted through January 10th.

The Council's work is organized around nine policy areas, elements of which are crucial to the development of a healthy business climate. These are —

1. *Regulation*
2. *Tax and Fiscal Policy*
3. *Economic and Community Development Programs*

4. *Education and Workforce Training*
5. *Telecommunications*
6. *Energy*
7. *Transportation*
8. *Science and Technology*
9. *Governance*

The Council has developed policy topics under each of these areas. We have allocated a majority of this report (Part V) to explaining 56 Recommendations that we feel will help move Vermont's economy forward. Each recommendation includes a series of steps for implementation. Eleven of these initiatives are “Priority Recommendations,” on which the Council will focus its efforts.

The Council's 1996 Activities

During the past year, the Council —

- Held four public hearings (two on Vermont Interactive Television) in February following release of the 1995 report and two public hearings in December (one on VIT) for comments on the draft of the 1996 report.
- Hosted topical hearings with invited expert testimony and panel reaction on regulation, tax and fiscal policy, and transportation (see Appendix B).
- Visited with members of the Vermont Legislature during the 1996 session to discuss our recommendations and learn of their concerns and priorities.
- Attended various hearings (offering testimony where appropriate), meetings, and presentations related to its nine policy areas.
- Reviewed written comments from over 80 Vermonters.
- Conducted monthly meetings.
- Held its first annual meeting

Most importantly, each of the Council's members are active in their own businesses or organizations and communities, and have listened to concerns of Vermonters throughout the year.

Individual Council members took responsibility for developing recommendations in specific policy areas and researched issues relevant to those areas. This report is a crucible of these combined hearings and efforts. It is a work in progress — planning for Vermont's economy is an ongoing process.

Three Central Goals for Vermont's Economy

The Council's work continues to be geared towards meeting three interrelated goals — full employment, an average wage and per capita income equal to national levels, and maintaining and improving Vermont's quality of life.

Goal # 1: Full Employment

In 1993, the Council determined that creating 66,000 jobs over the next ten years, or about 6,600 jobs per year, would be sufficient to keep Vermont's unemployment rate at *no more than* 4% — the point which economists generally define as “full employment.”

Goal # 2: Attain an Average Wage and a Per Capita Income Equal to National Levels

The term *average wage* reflects wages paid on “covered employment” for which unemployment compensation premiums are assessed. This measurement covers about 85% of Vermont's work force, or 266,000 people in 1995, and is clearly a significant indicator of the economic well-being of the vast majority of working Vermonters.

Since the average wage figure does include an estimated 50,000 self-employed and unpaid family workers, and because these workers, as well as those Vermonters who are retired and live on their

investments or on fixed incomes, are not included in the “average wage” statistic, the Council includes *per capita income* as a joint criterion.

Both wage and income goals were set using *averages* as the statistical measure. *Median* measures represent the true mid-point of a sample, but this data is not readily available. Average wage and income levels can be skewed by a relatively small percentage of very high wage or gross income earners, giving the impression that “average” persons are better off than they actually are. The national median income, for example, is consistently lower than the national average income. We will continue to look for reliable median measures.

Goal #3: Maintain and Improve Vermont's Quality of Life

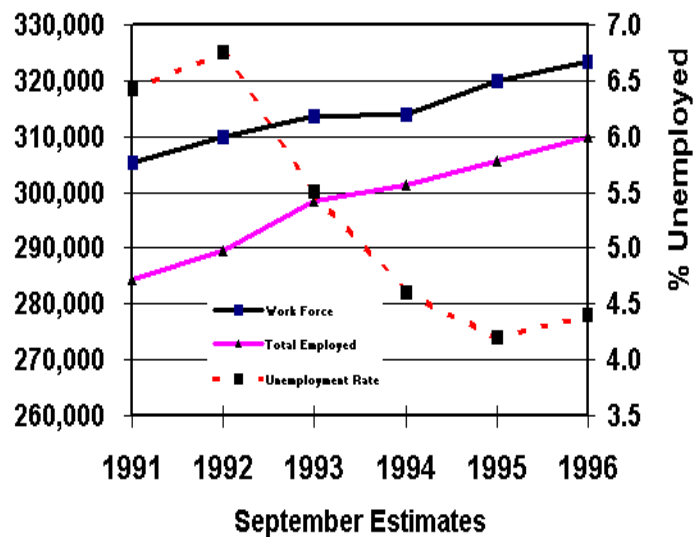
Vermonters, business prospects, and tourists all comment on our high quality of life and the Council sees a direct connection between economic development and Vermont continuing to be one of the best places to live in the country. Vermont has a “sense of itself” manifested in our traditions and heritage, sense of community, and manageable scale. These must not be sacrificed. Thus, our third goal, while less easy to measure or assess, is essential to Vermont's future. Part III includes data on 79 indicators that measure the status of elements of our economic, social, cultural, and environmental systems.

The Current Status of Vermont's Economy

Job Creation — Consistent

Vermont's economy has created sufficient new jobs to bring the unemployment rate down from 6.7 percent in 1992 to 4.4 percent (see graph) in September, 1996, putting Vermont close to full employment. This rate compares to 4.2 percent last September and current U.S. rate of 5.4%. These figures include both employed and self-employed individuals.

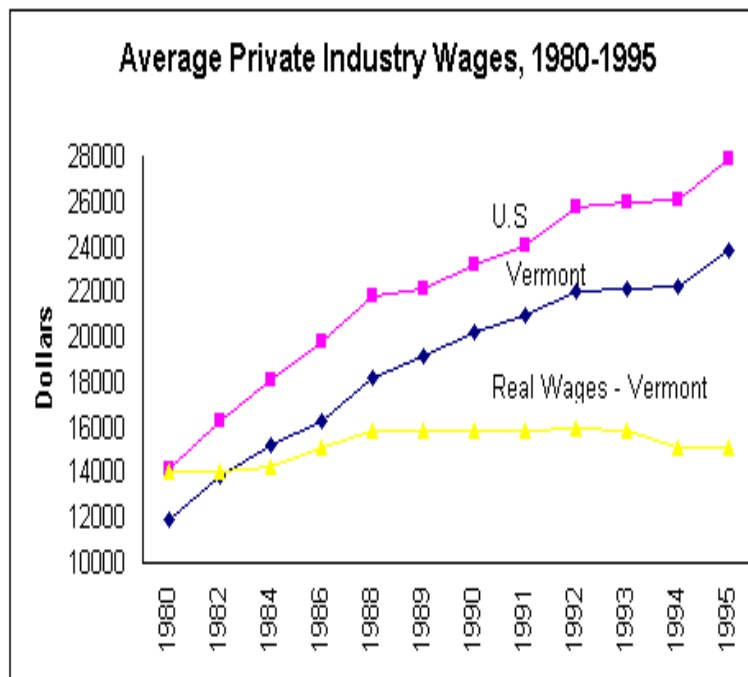
Vermont Labor Statistics, 1991-1996



For all of 1995, the results of which have been recently reported by the Department of Employment and Training (DET), *net* employment grew by 6,654 to 266,028. (As noted above, DET-reported employment represents about 85 percent of the labor force.) This growth was not evenly spread around the state, with Chittenden County showing 40 percent of the increase and 31 percent of the state's total employment. All counties except Essex County (-2.3%) reported a net increase in employment. Grand Isle (+5.9%) and Lamoille (+4.1%) showed the greatest *percentage* increases, compared to the overall state average of 2.6 percent job growth.

In 1995 there was a modest net growth of 800 jobs, or 12 percent of the total job growth, in the closely watched manufacturing sector. Manufacturing has consistently paid higher-than-average wages and is considered a crucial sector as we strive to reach our second goal. Manufacturing currently provides about 17 percent of all jobs reported by DET. The largest growth was in the combined retail and wholesale trade sector with 1,750 new jobs, bringing that sector to over 24 percent of those employed.

Average Private Industry Wages, 1980-1995



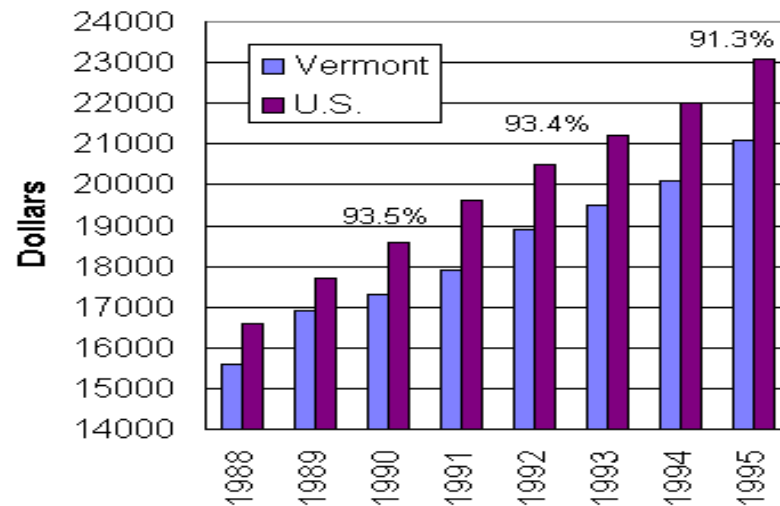
Average Wages and Per Capita Income —Losing Ground

The *average wages* paid to Vermonters in 1995 increased by 2.7 percent. This kept up with inflation but lagged the national average increase of 3.4 percent. The result is that the average Vermont wage in 1995 was 84.7 percent of the national average, down from 85.6 percent in 1994. As shown in the chart below, Vermont's average wages grew from 82.7 percent of the national norm in 1980 to 88.3 percent in 1990. Since 1990, the gap between Vermont and the nation has widened by nearly four percent. Thus, *Vermont's continuing problem is not so much the number, but the pay-level of jobs.* We are challenged to encourage the growth of firms that offer higher-paying, satisfying employment opportunities.

As the graph to the right shows, the gap between Vermont's *average per capita income* and the national average has been less than the gap in wages. While not shown on the graph, from 1980 to 1990, Vermont moved from 85.6 percent to 93.5 percent of the national average. Since 1990, however, Vermont has not kept pace with the national average and in 1995 the U.S. Department of Commerce reported Vermont at 91.5 percent of the U.S. figures for average per capital income.

Two possible reasons have been cited why Vermonters' per capita incomes compare better to the national average than do their

Per Capita Income



wages. One reason is that per capita income includes self-employment, retirement, and investment income and Vermonters, on average, appear to have higher portion of their income from these sources than the typical American. Another *suspected* reason is that compared to national figures, a greater portion of Vermonters work two or more jobs due the seasonal nature of some of Vermont's industries. We have not seen a study, however, that confirms this notion.

Part II: Cumulative Record of the Council's Recommendations

The Council's work is ongoing. As such, recommendations will be continued as long as they are seen as encouraging a better business climate in Vermont. When recommendations are achieved, inappropriate, or no longer needed they are removed from consideration. Also, several recommendations have been deleted that are directly related to the scope of other councils and groups. Some prior recommendations have been combined with other recommendations and while they remain in this document, they do not appear as free-standing initiatives.

Since 1994, the Council has offered 126 specific recommendations, along with their associated action steps, to improve the pace of economic development in Vermont. These include 71 presented by the Vermont Partnership for Economic Progress (VPEP) in 1993, 12 new recommendations added by the Council in 1994, and an additional 33 in 1995. This year's 56 recommendations include seven substantially new initiatives.

Since 1994, the Council has offered 126 specific recommendations, along with their associated action steps, to improve the pace of economic development in Vermont.

Of the Council's 126 recommendations, all or part of 28 have been implemented. Seventy seven are either new in 1996 or continued as free-standing initiatives or combined with other recommendations. Twenty-one have been removed from consideration. A list of each grouping follows. Since we have changed the numbering system each of the past two years, cross references to the original recommendations are included.

Recommendations Implemented:

The Council cannot and does not take sole credit for implementing the following recommendations. In some cases, we have actively worked with Legislative leaders and other partners to pass legislation or create administrative changes. In other cases, we have supported the efforts of other groups and people. The Council's concern is that things get done, not that we get credit for them. Moving Vermont's economy forward is truly a collaborative effort involving many key players. In any event, one of our functions in developing a ten-year economic plan is to report on the status of current initiatives directly related to economic development. We have endeavored to do that.

- The importance of planning for our economic future was formalized in statute with the creation of the Vermont Economic Progress Council (1994 Recommendation #2).
- Small business tax loss carryforwards were increased in 1994 (1994 Recommendation #11).
- Runaway shop provisions for recapture for financial assistance programs were adopted in 1994 (1994 Recommendation #12).
- VEDA passed a resolution enabling central processing of loans 1994 (1994 Recommendation #22).
- The 12 Vermont Interactive TV sites were completed in 1994 (1994 Recommendation #29).
- Vermont Science and Technology Plan outlines state science and technology policy through the development of Centers for Excellence (1994 Recommendation #35).
- VEDA lending policies require good records for farm and forestry (1994 Recommendation #46).
- Credit transferability among colleges and universities accomplished in 1994 (1994 Recommendation #56).
- AOT/VDTM study on economic impact of travel and recreation completed in 1995 and results published in 1996 (1994 Recommendation #67).
- A water withdrawal policy was established in 1995 (1994 Recommendation #71).

- The Sustainable Jobs Fund was established in 1995 by H. 508 and a board of directors formed to direct the program 1994 (1994 Recommendation #95-9).
- The Environmental Board adopted revised rules to improve the efficiency and timeliness of decisions rendered by the Board and District Environmental Commissions (1995 Recommendation #2).
- ANR published their *Permit Handbook* (1995 Recommendation #3).
- Legislature appropriated \$350,000 in 1995 and 1996 to assist farmers build manure storage facilities (1995 Recommendation #7).
- Limited Liability Company Act and Model S-Corporation legislation passed (1995 Recommendation #10).
- Joint Fiscal Office conducted a tax study which will serve as a first step toward a comprehensive study of Vermont's tax system (1995 Recommendation #12).
- Reporting of the governmental funds in the state's June 30, 1996 Comprehensive Annual Financial Report will be on the accrual basis (1995 Recommendation #13).
- Use value appraisal at the local level passed with liability to towns offset by "hold harmless" funding (1995 Recommendation #14).
- Tax incentives to develop financial services industry passed (1995 Recommendation #17).
- A Stabilization Reserve (a.k.a. "Rainy Day Fund") built into present and projected General Fund budgets (1995 Recommendation #19).
- Regional planning commissions, regional development corporations, and chambers of commerce developing regional block grant plans (1995 Recommendation #20).
- The Agency of Development and Community Affairs was reorganized into the Agency of Commerce and Community Development effective July 1, 1996 (1995 recommendation #21).
- Long-term funding mechanism for VEDA was developed and enacted by the Legislature in 1996 (1995 recommendation #25).
- World Trade Office established and funded (1995 recommendation #28).
- Market Vermont Roundtable reactivated (1995 recommendation #36).
- Vermont EPSCoR funded each of past three years, leveraging federal funds and grants in nurturing research and development in Vermont (1995 Recommendation #64).
- Six-year \$3.04 million grant awarded to establish the Vermont Manufacturing Extension Center at Vermont Technical College (1995 Recommendation #64).
- The Council was authorized by the 1996 Legislature to solicit funding from nonprofit entities and foundations to partially fund its work, subject to approval by the Joint Fiscal Committee (1995 Recommendation #67).

Continuing Recommendations

As noted above, the majority of the Council's recommendations are presently being pursued. Recommendations listed in the "Implemented" section are repeated here if part of these initiatives are still in process.

We have renumbered our recommendations each year to reflect their current status. To assist readers in following the sequence of our reports, the following table provides a cross-reference among years. The numbering sequence is chronological, beginning with 1994.

Related 1994 Recom- menda- tion #s	Related 1995 Recom- menda- tion #s	1996 Recom- menda- tion #s	Topic (See "Recent History" Column in Part V for Background)
1	65	56	Four-year term for statewide offices
4	12	11	Comprehensive tax study
5	13	17	GAAP accounting for state funds
6	14	12	Use value appraisal
7	15	16	Workers' compensation rates

Related 1994 Recom- menda- tion #s	Related 1995 Recom- menda- tion #s	1996 Recom- menda- tion #s	Topic (See “Recent History” Column in Part V for Background)
9	19	13	Stabilization reserve
13	53	45	Long Range Transportation Plan
14	54	46	Capacity of east-west and north-south corridors
15	55, 57	47	Air service into Vermont
95-1, 95-2	56, 59	48	Regional and cross-border travel
17	20	18	Regional cooperation
18	24	20	Small Business Development Center
20, 95-5	21, 36	27	Coordinated state marketing
21	10	6	Updating of commercial laws
23	32	19	Implementation of the state’s Growth Center Policy
95-3	31	8	Underutilized and Abandoned Buildings
95-4	8	5	Home business regulations
95-6	25	21	Funding for VEDA
95-8	33	19	Economic significance of historic preservation
26	51	43	Energy efficiency programs
27	46	38	Broad-based telecommunications system planning
28	49	38	Telecommunications applications center
32	28, 29, 30	24	World Trade Office and international trade
33, 34	36	27	Market Vermont Roundtable
35	60-64	50, 51	Vermont Science and Technology Plan
36	64	52	Technology transfer program at UVM

Related 1994 Recom- menda- tion #s	Related 1995 Recom- menda- tion #s	1996 Recom- menda- tion #s	Topic (See “Recent History” Column in Part V for Background)
38	64	52	Vermont EPSCoR
39, 40	64	52	Manufacturing Extension Center
41	1, 2, 3, 6	1, 3	Regulatory reform and enhanced explanatory materials
43, 44	1, 3, 4	3	Customer surveys and professional certifications
48, 50	9, 60	10, 51	Vermont Seal of Quality standards and Vermont Food Science Center
95-10	7	22	Implementation of Best Management Practices for storage of manure
52, 54	39, 40	32	Funding for Higher Education
53, 60	41	31	Secondary and post-secondary technical education
55	38, 41, 44	30	<i>Green Mountain Challenge</i> and Certificate of Initial Mastery
57	41	30	Statewide curriculum and assessment
58, 59	41	33	Training programs for specific employer needs
63	61	51	The Partnership of Environmental Technology and Science
64	17	15	Industry-specific tax incentives
	5	4	Recreational Use Statute
	11	7	On-site wastewater treatment
	18	14	Machinery & Equipment Tax
	23	18	GIS funding
	27	23	Agricultural lending policy

Related 1994 Recom- menda- tion #s	Related 1995 Recom- menda- tion #s	1996 Recom- menda- tion #s	Topic (See “Recent History” Column in Part V for Background)
	35	26	Industry-based marketing strategies
	42	34	Long-range K-12 educational funding
	43	35	Cost & Quality Commission recommendations
	45	29	Promoting education as a growth industry
	47	40	Siting of telecommunications towers
	48	41	Telecommunications outcome indicators
	50	42	Electric industry restructuring
	52	44	Commercialization of renewable energy technologies
	58	49	Strengthen rail freight capacity
	66	53	Explore alternatives for statewide benchmarking

Substantially New Recommendations

Below is a list, by policy area and recommendation number, of seven substantially new initiatives presented by the Council in this report.

Policy Area 3 — Economic and Community Development:

#19 — Downtown Community Development Act

#28 — Funding for the Vermont Training Program

Policy Area 4 — Education:

#36 — Human Resources Investment Council Accountability Indicators

#37 — Vermont Higher Education Council Economic Partnership

Policy Area 5 — Telecommunications:

#39 — Follow-up to 1996 Telecommunications Plan Recommendations

Policy Area 9 — Efficient and Effective Government:

#54 — State Planning Director

#55 — Continued Reorganization of State Government

Prior Recommendations Not Included in This Report

- A new jobs credit and extension of a manufacturers’ investment tax credit to Year 2000 were not endorsed by the Council in 1995 (1994 Recommendations #10 & #65).
- Establishment of a state-supported computer database of State and Federal resources for small businesses seen as too expensive and possibly unnecessary. The greater need is for businesses to know where and how to link up with existing data sources. [The

proliferation of Web pages on the Internet has further reduced the need for a central database.] (1994 Recommendation #16).

- The Development Cabinet function was expected to be *facilitated* by the proposed Director of Regulatory Affairs, housed in the Agency of Commerce (1994 Recommendation #19). [This position was not subsequently authorized.]
- Federal regulations have not allowed unemployed workers to get benefits while starting a new business. When and if new block grant rules take effect, DET will determine if this option is feasible (1994 Recommendation #24).
- The need for an Energy Council was superseded by the broad-based forums organized by the Public Service Board and Department of Public Service (1994 Recommendation #25).
- Industry Investment Boards (IIBs), which assess particular kinds of producers to fund marketing efforts, have worked to some degree in agriculture. The Council feels *mandatory* IIBs are not appropriate at this time but encourages voluntary industry-based initiatives (1994 Recommendation #31).
- The feasibility of an “invention factory” is being pursued by the private sector (1994 Recommendation #37).
- Performance-based regulations are recommended by the Council. The added requirement of Best Available Technology, proposed in 1994, was not endorsed in 1995 by the Council (1994 Recommendation #42).
- The Department of Agriculture is coordinating efforts suggested for the “Agricultural Council” (1994 Recommendations #45 & #51).
- Position for ADCA natural resource specialist lost in the hiring freeze. Functions being assumed by other staff in ACCD, DAFM, and VDFP (1994 Recommendations #47 & #49).
- The concept of identifying “target industries” continues to be on interest to the Council. We will revisit this topic in 1997 (1994 Recommendation #61).
- The Human Resources Investment Council is looking at the need for industry-specific curriculum (1994 Recommendation #68).

- EXIM Bank activities handled by the Department of Economic Development and the World Trade Office (1994 Recommendation #95-7).
- The Council retracted its 1994 recommendation for establishment of an Agency of Education and Training (1994 Recommendation #95-11).
- Based on convincing evidence that the long-term economic impacts of casino gambling are negative, the Council does not support casino gambling in Vermont. [Currently, this issue is not being debated] (1994 Recommendation #95-12).
- While the Council would like to see the percentage of state assets invested in Vermont maximized, it respects the Pension Board’s mandate to earn the highest market rate of return on its funds (1995 Recommendation #16).
- Meetings of planners of various state agencies and departments should be organized through a Cabinet-level directive (1995 Recommendation #22).
- Establishment of Economic Opportunity Areas superseded by 1996 Recommendation #19, which supports the Agency of Commerce’s Downtown legislation (1995 Recommendation #26).
- By HUD guidelines, which fully fund the Community Development Block Grant program, the percentage of CDBG funding for economic development is based on the quality of the applications, competitively assessed by the CDBG Board (1995 Recommendation #34).
- Clarifications to the statewide sign policy are being administratively developed by the Agency of Commerce and Community Development (1995 Recommendation #37).
- The Council’s 1995 recommendation to privatize the 10 state airports has been dropped. Making the best use of these airports will be a topic in the Vermont Air Policy Plan study being conducted by the AOT in 1997 (1995 Recommendation #57).

Part III. 1996 Vermont Indicators

The Council selected 79 indicators to represent various aspects of Vermont's economy, people, communities, environment, and infrastructure. The data has been drawn from a variety of sources, which we list in the second to last column. Where data is available *and* has been collected on a consistent basis, we have reported it for 1980, 1990, 1992, 1994, and "Current" (1995 or 1996, as noted.) Since the Council began its work (as the Vermont Partnership for Economic Progress) in 1993, 1992 was chosen as the "Baseline" year.

This section should be reviewed in conjunction with the discussion accompanying Recommendation #53 in Policy Area Nine regarding benchmarking. Very few of the indicators have the "Goal" column completed. We emphasize that great care must be taken in suggesting statewide targets and the Council feels broad-based input is

needed to determine and validate these goals. Those that are listed, other than the Council's targets for wage, per capita, and unemployment levels, have been developed by state agencies and departments. The Council has not reviewed the processes used to arrive at these goals. Thus, we do not necessarily endorse them. We nonetheless applaud the efforts, particularly by the Agency of Human Services, to both develop goals and integrate them into planning and budgetary cycles.

The last column lists the number of those recommendations found in Part V that are most *directly* related to the indicator. We know there is significant *indirect* relationship among many of the indicators and recommendations. For the sake of brevity, we have limited the scope of this cross-referencing.

<i>Vermont Indicator</i>		<i>Historical 1980</i>	<i>Historical 1990</i>	<i>VEPC Baseline 1992</i>	<i>1994</i>	<i>Current *</i>	<i>Goal ** [Year]</i>	<i>Data Source</i>	<i>Recom- mendation Number ⊗</i>
<i>The Economy and Employment</i>									
1.	Vermont per capita income	\$8,546	\$17,444	\$18,809	\$20,224	\$21,231	\$23,208 [U.S. 1995]	DET	All
2.	Vermont per capita income as a percentage of national average	85.6%	93.5%	93.4%	92.6%	91.5%	100 % [2004]	DET	All
3.	Average Vermont wage—all sectors % Vermont wage to national average	\$11,840 82.7%	\$20,531 88.3%	\$22,364 86.3%	\$22,963 85.2%	\$23,582 84.7%	100 % [2004]	DET	All
a)	• Manufacturing sector only % of national average	\$15,366 88.5%	\$28,187 97.6%	30,512 95.8%	\$30,747 91.7%	\$31,666 91.1%	100% [2004]	DET	3, 14, 15, 28, 42
b)	• Transportation & Public Utilities % of national average	n/a	\$26,514 88.2%	\$28,696 87.3%	\$29,352 85.8%	\$29,977 85.5%	100% [2004]	DET	38-41 42- 44 45-49

n/a = Data not kept or not collected on a consistent basis. * = Current reporting is for calendar year 1995 unless otherwise stated ** = Where noted, an organization other than VEPC has established the goals. Blank = information not available ⊗ = Recommendations in Part V most directly related to this indicator.

<i>Vermont Indicator</i>		<i>Historical 1980</i>	<i>Historical 1990</i>	<i>VEPC Baseline 1992</i>	<i>1994</i>	<i>Current *</i>	<i>Goal ** [Year]</i>	<i>Data Source</i>	<i>Recom- mendation Number ⊗</i>
c)	• Agriculture, Forestry, and Fishing % of national average	n/a	\$15,410 109.4%	\$15,944 105.4%	\$16,139 103.1%	\$16,131 n/a	100% [2004]	DET	4, 12, 16, 22, 23, 51A
d)	• Wholesale Trade % of national average	n/a	\$25,150 83.7%	\$28,061 85.3%	\$28,577 82.5%	\$29,636 82.4%	100% [2004]	DET	45-49
e)	• Retail Trade % of national average	n/a	\$12,127 95.4%	13,441 94.2%	\$13,441 93.4%	\$13,641 92.5%	100% [2004]	DET	19, 25, 27
f)	• Construction % of national average	\$13,044 75.0%	\$21,920 83.8%	\$22,735 83.0%	\$23,285 82.3%	\$24,404 83.5%	100% [2004]	DET	3, 15
g)	• Finance, Insurance, Real Estate % of national average	\$12,434 83.4%	\$24,938 84.0%	\$27,528 79.0%	\$28,661 79.5%	\$30,153 78.2%	100% [2004]	DET	6, 11, 12, 15, 39
h)	• Other Services % of national average	n/a	\$17,505 79.6%	\$19,534 80.3%	\$20,678 82.3%	\$21,230 81.2%	100% [2004]	DET	5, 27, 30, 31
i)	• Government (local, state, federal) % of national average	n/a	\$22,052 86.9%	\$24,399 88.4%	\$25,250 86.5%	\$25,961 86.7%	100% [2004]	DET	53, 55
4.	Gross state product VT Productivity (GSP/employment)	~\$7 billion	~\$10 billion \$ 37,000	\$11.8 billion \$ 40,100				US Bur. Economic Analysis	All
5.	Dollar value of Vermont's international exports	n/a	n/a	\$2.73 billion (1993)	\$2.98 billion	\$3.46 billion		DED-ITP	24, 27
6.	Total Vermont Employment Vermont Unemployment Rate	n/a	289,200 5.0%	289,500 6.7%	300,750 4.7 %	305,950 4.2%	4.0%	DET	All
a)	• Addison County Employment — Unemployment Rate	n/a	17,500 4.3%	17,200 7.5%	17,400 5.5 %	17,600 4.5%	4.0%	DET	
b)	• Bennington County Employment	n/a	17,700 5.5%	17,500 6.5%	18,200	18,600 4.1%	4.0%	DET	

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<i>Vermont Indicator</i>		<i>Historical 1980</i>	<i>Historical 1990</i>	<i>VEPC Baseline 1992</i>	<i>1994</i>	<i>Current *</i>	<i>Goal ** [Year]</i>	<i>Data Source</i>	<i>Recom- mendation Number ⊗</i>
	— Unemployment Rate		5.5%	6.5%	4.8 %	4.1%	4.0%		
c)	• Caledonia County Employment — Unemployment Rate	n/a	13,350 6.1%	13,950 7.5%	13,800 6.5 %	13,950 6.0%	4.0%	DET	
d)	• Chittenden County Employment — Unemployment Rate	n/a	73,950 4.0%	75,250 4.8 %	79,000 3.3 %	81,150 2.9%	Met	DET	
e)	• Essex County Employment — Unemployment Rate	n/a	2,550 8.8%	2,600 9.3 %	2,650 6.5%	2,650 7.3%	4.0%	DET	
f)	• Franklin County Employment — Unemployment Rate	n/a	19,650 5.9%	20,150 7.2 %	20,800 5.5 %	21,000 4.8%	4.0%	DET	
g)	• Grand Isle County Employment — Unemployment Rate	n/a	2,600 7.0%	2,700 8.8%	2,800 7.5%	2,850 6.3%	4.0%	DET	
h)	• Lamoille County Employment — Unemployment Rate	n/a	9,850 6.8%	9,850 9.1%	10,250 6.7%	10,500 6.0%	4.0%	DET	
i)	• Orange County Employment — Unemployment Rate	n/a	13,400 4.9%	13,350 5.7%	14,300 3.7%	14,500 3.6%	Met	DET	
j)	• Orleans County Employment — Unemployment Rate	n/a	10,950 7.7%	10,950 10.8%	11,350 8.7%	11,550 8.5%	4.0%	DET	
k)	• Rutland County Employment — Unemployment Rate	n/a	31,000 4.8%	29,850 8.1%	29,750 5.5%	30,650 4.6%	4.0%	DET	
l)	• Washington County Employment — Unemployment Rate	n/a	28,050 5.4%	27,600 7.5%	29,150 5.0%	29,050 4.9%	4.0%	DET	
m)	• Windham County Employment — Unemployment Rate	n/a	20,700 4.8%	21,200 5.9%	22,400 4.3%	22,800 4.0%	4.0%	DET	
n)	• Windsor County Employment — Unemployment Rate	n/a	27,900 4.4%	27,350 6.2%	28,800 3.6%	29,150 3.4%	4.0%	DET	
<i>People, Families, and Communities</i>									

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Vermont Indicator		Historical 1980	Historical 1990	VEPC Baseline 1992	1994	Current *	Goal ** [Year]	Data Source	Recom- mendation Number ⊗
7.	State Population	511,000	563,000	571,000	580,000	585,000		Census Bureau	
8.	Median VT age (rounded) • Number of Vermonters over 65 • % of Vermonters over 65	29 58,000 11.4%	33 66,000 11.7%	34 67,000 11.7%	35 68,000 (proj) 11.7%			VT Health Care Authority	33
9.	Adult substance abuse rate • % binge drinkers • % smokers	n/a	VT U.S. 21% 15% 21% 23%	VT U.S. 15% 14% 22% 22%	VT U.S. 17% 14% 21% 22%	VT U.S. 16% n/a 22% n/a	AHS Goal 15% [2000]	AHS	53
10.	% High school seniors smoking daily	VT — n/a U.S. — n/a	VT — n/a U.S. — 18.5% (1991)	VT — n/a U.S. — 17.2%	VT — 15% U.S. — 19% (1993)	VT — 20% U.S. — 22% (1995)		AHS	53
11.	Teen birth rate (per 1,000 15-19 year old women)	VT — 38.5 U.S. — 53.0	VT — 34.1 U.S. — 59.9	VT — 35.7 U.S. — 60.7	VT — 33.1 U.S. — 58.9	n/a		AHS	53
12.	Low birthweight babies (Percent)	VT — n/a U.S. — 6.8%	VT — 6.0% U.S. — 7.0% (1985)	VT — 5.8% U.S. — 7.1% (1993)	VT — 6.1% U.S. — 7.3%	VT — 5.4% U.S. — n/a	AHS VT Goal: 5.0% [2000]	AHS	53
13.	Idle teens (age 16-19, not in school, not in labor force)	VT — 5.6% U.S. — n/a	VT — 6.4% U.S. — 10.0%			Ten-year Census only		AHS	30, 31, 53
14.	Child abuse rate, all types, ages 0-17 (# substantiated cases per 10,000 population)	VT — n/a U.S. — n/a	VT — 222 U.S. — 432	VT — 223 U.S. — 431	VT — 222 U.S. — 429 (1993)	n/a		AHS	53
15.	Rate of violent crime (VDPS reported homicide, rape, robbery, assault, sex offenses, child abuse/neglect per 100,000 population)	VT — 179 U.S. — 581	VT — 127 U.S. — 732	VT — 110 U.S. — 758	VT — 97 U.S. — 716	n/a		AHS	25, 53
16.	Percent covered by health insurance U.S. coverage	n/a	90.4% 86.1%	90.6% 85.3%	89.2% 84.7%	89.2% n/a		AHS	53
17.	Number of adults registered to vote	311,919	350,349	383,371	373,442	385,328		Vermont Secretary	30

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Vermont Indicator		Historical 1980	Historical 1990	VEPC Baseline 1992	1994	Current *	Goal ** [Year]	Data Source	Recom- mendation Number ⊗
	Percentage of <i>registered</i> voters voting in statewide elections	75 %	62%	76 %	58%	70%		of State	
Environment									
18.	Recycling rate	n/a	n/a	n/a	~35% (est)	n/a	40% [ANR Goal]	ANR	53
19.	% of rivers and streams that fully support standards for all uses % of acres of lakes and ponds meeting the standards	n/a	n/a	81% 70%	81% 65%	79% (1996) 61% (1996)		ANR	7, 22
20.	Number of acres of wetlands (not including Ag lands)	n/a	n/a	~300,000	~300,000	~300,000		ANR	
21.	Land use inventory (as % of land only -- water excluded)								
a)	• Percent of land base in cropland	11.1% (1982)	11.1% (1987)	10.8% (1992)		Next		USSCS	12, 23, 25
b)	• Percent of land base in pasture	8.6% (1982)	6.6% (1987)	5.9% (1992)		USSCS		USSCS	12, 22, 23, 25
c)	• Percent of land base forested	75.8% (1982)	76.6% (1987)	76.5% (1992)		survey		USSCS	4, 12, 16, 25, 26
d)	• Percent of land base built-up	4.4% (1982)	4.6% (1987)	5.5% (1992)		in 1997		USSCS	9, 19
Industry Group: Agriculture, Forestry, and Forest Products									
22.	Acres of land cropped	128,100 (1982)	137,000 (1987)	118,300 (1992)		Next USSCS survey in 1997		USSCS	12, 23, 25
23.	Number of dairy cows	187,000	167,000	163,000	161,000	156,000		NE Ag Statistics	22, 23
24.	Pounds of milk produced (one gallon is approx. 8 lbs.)	2.25 bil. lbs.	2.37 bil. lbs.	2.51 bil. lbs.	2.45 bil. lbs.	2.54 bil. lbs.		NE Ag Statistics	22, 23
25.	Total number of farms (\$1,000+ of products sold per year) Total Vermont dairy farms (Jan. 1)	7,700 3,572	6,500 2,370	6,400 2,325	6,200 2,178	6,000 2,046		NE Ag Statistics VDAFM	22, 23, 25

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<i>Vermont Indicator</i>		<i>Historical 1980</i>	<i>Historical 1990</i>	<i>VEPC Baseline 1992</i>	<i>1994</i>	<i>Current *</i>	<i>Goal ** [Year]</i>	<i>Data Source</i>	<i>Recom- mendation Number ⊗</i>
26.	Total farm cash receipts • Milk receipts only	\$ 378.5 mil. \$ 302.0 mil.	\$ 459.1 mil. \$ 337.3 mil.	\$ 460.4 mil. \$ 343.2 mil.	\$ 480.5 mil. \$ 330.6 mil.	\$ 472.3 mil. \$330.3 mil.		NE Ag Statistics	10, 22 23, 27
27.	Percent of statewide prime agricultural soils in production	50.6% (1982)	51.8% (1987)	51.3% (1992)		Next USSCS inventory in 1997		USSCS	12, 22 23, 27
28.	Acres of agricultural land enrolled in the Use Value Appraisal Program Percent of farm acreage enrolled	26,000 2%	456,000 44%	497,000 51%	482,000 54%	479,000 53%		FRAC/ USSCS	11, 12
29.	Percent of eligible forest land enrolled in Use Value Appraisal and Working Farms Tax Abatement Programs	3%	26%	27%	28%	28%		FRAC/ USSCS	11, 12, 16, 26
30.	Percentage and amount of funding for Use Value Appraisal and Working Farms Tax Abatement Programs	100% \$400,466	100% \$12,456,540	77% \$9,653,674	59% \$8,217,996	68% \$9,724,407		FRAC	11, 12
31.	Forest harvest — • Lumber (million board feet) • Pulpwood (cords) % sawlogs and veneer logs exported	198.3 MBF 231,700 cords 18%	215.5 MBF 331,000 cords 35%	251.2 MBF 390,200 cords 30%	301.8 MBF 416,100 cords 32% (1993)	306.2 MBF 439,000 cords		VD FP NWF	4, 12 16, 26
32.	People employed in wood products industry (SIC codes 8, 24, 25, 26)	9,100 (est.)	7,916	7,681 ('91)	8,310	9,683		DET	26, 31
33.	Value of wood processing and forest harvest in Vermont	na/	n/a	n/a	\$1.2 billion (1993)			VD FP	12, 16, 26, 31
34.	Avg. workers' comp rate-non-mech- anized logging (per \$100 of payroll) Rate in Maine Rate in New Hampshire	\$22.07 (1986)	\$28.80	\$43.26 (1993)	\$37.47 (1995)	\$35.64 (1996) \$47.63 \$43.64		BI & S	16, 26
Industry Group: Travel, Tourism, Recreation, and the Arts									

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<i>Vermont Indicator</i>		<i>Historical 1980</i>	<i>Historical 1990</i>	<i>VEPC Baseline 1992</i>	<i>1994</i>	<i>Current *</i>	<i>Goal ** [Year]</i>	<i>Data Source</i>	<i>Recom- mendation Number ⊗</i>
35.	Annual visitors to Vermont	6.8 million	8.0 million	7.9 million (FY 1993)	8.0 million (FY 1995)			VDTM	4, 19, 24, 25, 27, 38, 40, 46, 47, 48
36.	Annual skier days	3.1 million (1980-1981)	4.1 million (1990-1991)	4.2 million (1992-1993)	3.7 million (1994-1995)	4.1 million (1995-1996)		VSAA	24, 25, 27 46-48
37.	Admissions to nonprofit-produced cultural events	1.5 million (1978)	2.9 million (1988)			NEFA 1993 study pending		NEFA	25, 27
38.	Annual revenues subject to rooms and meals tax	\$318 million	\$697 million (FY 91)	\$722 million (FY 1993)	\$799 million (FY 95)	\$854 million (FY 96)		VDTM	11, 24, 25
39.	State Parks visitor days, May- October, day use and overnight	843,179	932,728	794,893	866,000 (1995)	828,508 (1996)		VTFP	25, 27, 46
40.	Hunting/fishing licenses	272,477	236,234	257,413	253,679	255,660		VDFW	4, 25, 27
Industry Group: Manufacturing & Construction									
41.	Total manufacturing employment	50,932	46,502	43,728	44,134	44,929		DET	14, 26, 28 31, 42
42.	Percent of non-farm employment in manufacturing (U.I. covered)	31.9%	18.5%	17.8%	17.0%	16.9%		DET	14, 26 28, 31
43.	Employment: Food processing (SIC 20)	2,350	3,559	3,683	4,023	4,248		DET	10, 51A
44.	Employment: Industrial machinery & electronic equipment (SICs 35 & 36)	18,500	15,350	12,763	12,529	12,695		DET	14, 28 39,40
Other Industry Groups									
45.	Number of licensed captive insurance companies	1	209	257	311	328		DED	6
46.	Vermont tax revenues paid by captive insurance companies	n/a	\$ 5.79 million	\$ 8.68 million	\$ 8.55 million	\$ 8.55 million		DED	11, 15
47.	Employment in Finance, Insurance, and Real Estate (SIC section H.)	8,050 (est.)	12,540	11,758	11,818	11,791		DET	6, 15 24 38,39

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<i>Vermont Indicator</i>		<i>Historical 1980</i>	<i>Historical 1990</i>	<i>VEPC Baseline 1992</i>	<i>1994</i>	<i>Current *</i>	<i>Goal ** [Year]</i>	<i>Data Source</i>	<i>Recom- mendation Number ⊗</i>
48.	Total federal, state, and local government employees, excluding education	17,125	21,811	21,562	21,742	21,839		DET	55
<i>Policy Area One: Regulation</i>									
49.	% of Act 250 District Commission permit decisions made w/i 120 days	n/a	n/a	82 %	94%	82%		E-Board	1, 2, 40, 53
50.	Act 250 approval rate	98.1 % (1970-1990)	98.1 % (1970-1990)	98.5 % (1990-1993)	98.2%	98.2		E-Board	1, 2
51.	Dept of Environmental Conservation permits issued in programs with performance standards in place	n/a	n/a	5,107	7,468	7,581		ANR	1, 2, 8
52.	% of permits meeting the DEC-established performance standards	n/a	n/a	87%	90%	95%		ANR	1, 2, 3, 7 8, 53
53.	Number of reported workplace injuries / Injuries per 100 employees			24,633 10.0	24,499 ('95) 9.3	25,599 9.6		L & I	31
54.	Fire prevention permit plans reviewed Average time for permit processing Median permit processing time			2,250 14 days n/a	2,250 22 days n/a	2,000 23 days 10 days		L & I	1, 2, 3 8, 53
<i>Policy Area Two: Stable and Competitive Tax System</i>									
55.	Total state general fund revenues (Fiscal Year)	\$218.5 mil (FY 1980)	\$565.0 mil. (FY 1990)	\$635.5 mil. (FY 1992)	\$694.7 mil. (FY 1996)	\$659.8 mil. (FY 1995)		State Reports	All
a)	• Personal Income tax (% of General Fund revenues)	\$83.2 million (38.1%)	\$250.9 mil. (44.4%)	\$271.4 mil. (42.7%)	\$250.3 mil. (37.9 %)	\$280.9 mil. (40.4 %)		State Reports	
b)	• Sales and Use taxes (% of General Fund revenues)	\$40.8 million (18.7%)	\$136.0 mil. (24.1%)	\$157.0 mil. (24.7%)	\$173.6 mil. (26.3 %)	\$182.5 mil. (26.3 %)		State Reports	
c)	• Rooms and Meals taxes (% of General Fund revenues)	\$13.7 million (6.3%)	\$47.6 mil. (8.4%)	\$60.5 mil (9.5%)	\$59.0 million (8.9 %)	\$61.8 million (8.9 %)		State Reports	
d)	• Corporate and Business Taxes	\$38.8 million (17.8%)	\$66.2 mil. (11.7%)	\$74.9 mil. (11.7%)	\$87.0 mil. (12.3%)	\$83.9 mil. (12.1%)		State Reports	

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Vermont Indicator		Historical 1980	Historical 1990	VEPC Baseline 1992	1994	Current *	Goal ** [Year]	Data Source	Recom- mendation Number ☒
	(% of General Fund revenues)	(17.8%)	(11.7%)	(11.7%)	(13.2 %)	(12.1 %)		Reports	
56.	Vermont State Bond Ratings: • Standard and Poor's: • Fitch's Investor Service: • Moody's Investor's Services:		AA AA AA	AA minus AA AA	AA minus AA AA	AA minus AA AA		Vermont State Treasurer	11, 13, 17
57.	Local property taxes	\$ 202.5 mil.	\$ 521.3 mil. (FY 1990)	\$569.2 mil. (FY 1992)	\$634.3 (FY 1994)	\$ 661.1 (FY 1995)		Div. of Property Valuation	5, 11, 12, 14, 34, 35
Policy Area Three: Economic Assistance & Community Development Programs									
58.	Number of jobs created/retained by Economic Development Community Development Block Grants	n/a	197	323	141			DHCA	18, 19
59.	Small Business Development Center clients (post 1992 reorganization)	n/a	n/a	736 (1992-93)	1,208 (1994-95)	1,216 (1995-96)		SBDC	18, 20
60.	Completion of Vermont's five-layer GIS Data Infrastructure	0%	20%	40%	60%	60%	100%	VCGI	18, 45
61.	New jobs created by VEDA Subchapter 5 loan approvals VEDA's investment per job created by Subchapter 5 loan approvals	n/a	n/a	n/a	461 (FY 94) \$16, 274	413 (FY 95) \$16,709	393 (FY 96) \$18,265	VEDA	18, 21
Policy Area Four: Education and Work Force Training									
62.	Percent of population (25 years +) with high school education/[national] Percent of population (25 years +) with bachelors degree/[national]	n/a	80.8 % [75.0 %] 24.3 % [20.3 %]	n/a	86.0 % [80.9 %] 27.7 % [22.2 %]	n/a [81.7 %] n/a [23.0 %]		U.S. Census Bureau	29, 30, 31 32, 34, 35
63.	Vermont high school dropout rate (grades 9 to 12)	4.6%	5.1% (1989-90)	4.6% (1992-93)	4.5% (1993-94)	4.6% (1995-96)		Dept. of Educ.	30, 31 34, 53

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Vermont Indicator		Historical 1980	Historical 1990	VEPC Baseline 1992	1994	Current *	Goal ** [Year]	Data Source	Recom- mendation Number ⊗
64.	SAT participation rate (of graduating Vermont seniors)	n/a	68% (‘90 - ‘91)	68% (‘92 - ‘93)	71% (‘94 - ‘95)	70% (1995-96)	Note: measuring method changed in 1994.	Dept. of Educ.	30, 31, 34 35, 36
	• Mean VT Verbal scores	427	424	426	506	507			
	• Mean VT Math scores	467	466	467	498	501			
65.	State appropriations per \$1,000 of personal income for higher education (Direct operating funds and financial assistance)	\$8.46 (VT— FY 80)	\$7.03 (VT— FY 90)	\$5.64 (VT— FY 92)	\$5.03 (VT— FY 94)	\$4.78 (VT— FY 96)		VSC	29, 32, 37
		\$11.16 (U.S. Avg.)	\$9.74 (U.S. Avg.)	\$8.62 (U.S. Avg.)	\$7.96 (U.S. Avg.)	\$7.88 (U.S. Avg.)			
66.	Enrollment in public and private institutions of higher education	30,628	36,433	36,012	35,336 (Fall ‘94)			VSC	29, 32
67.	Total employment in higher education	6,791	8,997	9,365	8,748	8,929		DET	29, 37, 50, 51, 52
Policy Area Five: Telecommunications									
68.	Percentage of telephones with Touch-tone as part of <i>basic</i> service	n/a	n/a	Residential- 54% Commercial- 77%	>85 % Overall	~98%		DPS	5, 24 39, 41
69.	Total number of telephone lines			330,460 (1991)	366,412	368,208		DPS	5, 24, 25 38, 39, 40
Policy Area Six: Energy Policy									
70.	Avg. retail power cost (cents/kwh) [U.S.]		8.1 [6.6]	8.9 [6.9]	9.2 [6.9]	9.4 [6.9]		Edison Electric Institute	42
	• Industrial [U.S.]		6.7 [4.8]	7.3 [4.9]	7.6 [4.7]	7.4 [4.8]			
	• Commercial [U.S.]		8.5 [7.3]	9.6 [7.7]	9.4 [7.7]	9.7 [7.6]			
	• Residential [U.S.]		8.6 [7.8]	9.7 [8.2]	10.0 [8.4]	10.4 [8.4]			
71.	Cumulative participation rate in Vermont market-driven energy efficiency programs	nil	~5%	~20%	20-30 %	25-30%		DPS	43, 53

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Vermont Indicator		Historical 1980	Historical 1990	VEPC Baseline 1992	1994	Current *	Goal ** [Year]	Data Source	Recom- mendation Number ⊗
72.	In-state renewable energy use as a percent of total state energy use	14%	13%	12%	13%	13%		DPS	26, 44, 53
Policy Area Seven: Transportation									
73.	Number of passengers boarding at Burlington International Airport	207,075	425,750	424,167	419,285 (FY 1994)	410,502 (1996)		Burlington Airport	24, 25 27, 47
74.	Total Vehicle Miles Traveled on Vermont's roads and highways	1.525 trillion miles	2.100 trillion miles	2.175 trillion miles	2.300 trillion miles	2.340 trillion miles		AOT	25, 46
75.	Percent of paved roads in "poor" condition	31% (old method)	26% (old method)	29% (old method)	24% (1995) (new method)	42% (1996) (new method)	25% [AOT Goal]	AOT	25, 46, 53
76.	Average paved highway Condition Rating (0 to 100)	n/a	n/a	n/a	68 (1995)	62 (1996)	65 [AOT Goal]	AOT	25, 46, 53
Policy Area Eight: Science & Technology									
77.	Patents issued to Vermont residents (Number of VT residents listed)	84 n/a	145 n/a	133 214	171 n/a			U.S. Patent Office	7, 31, 32 37, 50 51, 52
78.	Vermont EPSCoR Phase 0 proposals	n/a	n/a	35	37	43 (1996)		EPSCoR	29, 51, 52
79.	National Science Foundation award to Vermont EPSCoR	n/a	\$2.5 million (1986-1991)	\$1.5 million (1993)	\$1.5 million	\$1.5 million		EPSCoR	26, 29, 37 51, 52

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Part IV: Vermont's Economic Sectors

The Council continues to group Vermont's economic activities into eight major clusters. To accomplish this, we have combined groupings of Federal Standard Industrial Classification (SIC) Codes in a way which we feel best describes Vermont's economy. The use of SIC codes helps to facilitate data gathering and comparisons within Vermont and to other states.

We also continue to use the official "covered employment" statistics (i.e., people covered by unemployment insurance) gathered by the Department of Employment and Training (DET) to measure the various groupings. We have used information from DET's *State of Vermont 1995 Employment and Wages* publication, issued in October, 1996. The picture drawn by this data is admittedly incomplete. Based on Bureau of Census figures, DET estimates about 312,000 people are currently working in our state. This is around 45,000 more than the number of jobs covered by unemployment insurance, and represents those who are self-employed or otherwise ineligible for unemployment benefits. The reason for using "covered employment" is that this data is readily available and comparable over time.

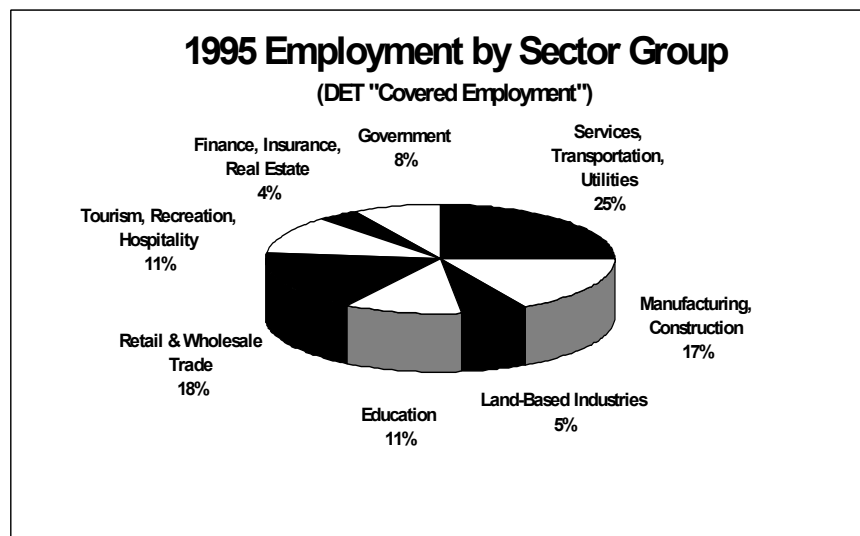
It is generally agreed that the failure to count self-employed people significantly understates the importance to Vermont of land-based industries, agriculture and forestry in particular, and business consulting. Agriculture, for example, "employs" only one per cent of Vermont's labor force. This creates a misleading impression about the impact of Vermont's farms and farming on our state. Compare, for instance, this one percent figure to the U.S. Department of Agriculture's 1993 estimate that 17 percent of Vermont's

work force was engaged either in farming or closely-related occupations or peripherally-related work.

This example suggests that Vermont's economy is based on a variety of interdependent factors and caution must be exercised before carrying out a policy that favors one sector at the expense of others.

Sector Groupings

To describe Vermont's economy, the Council uses employment in the eight groupings of economic sectors charted and described below. Total "covered employment" reported by DET for 1995 was 266,028. This was 6,654 more jobs than 1994, a 2.6% increase. Except for education, the first seven groupings include *private* sector employment only.



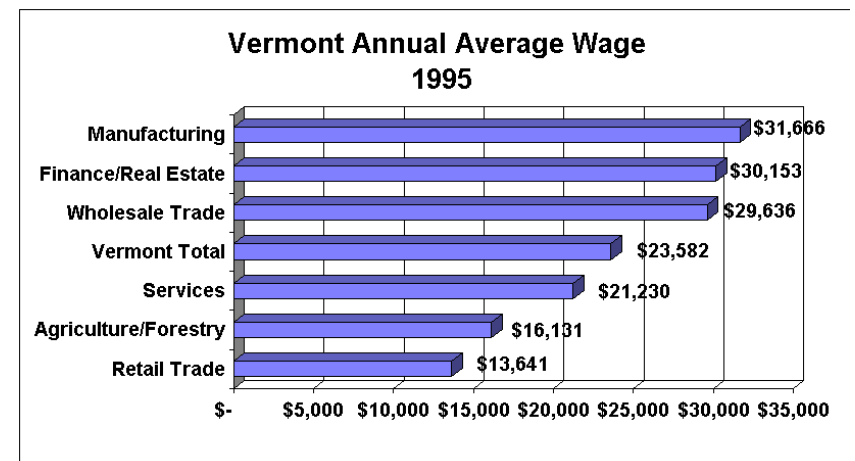
1. **Services, Transportation, Communications, and Utilities (65,695 employed).** All services (SIC Group I) other than education, lodging, amusements and recreation, plus transportation and non-municipal public utilities (SIC Group E). About 39% of this sector grouping is represented by health services. The next largest percentage is business, engineering, and management services at 19%. The third largest sub-grouping, non-governmental social service workers, total 8%.
2. **Manufacturing and Construction (45,166 employed).** Contract construction (SIC Group C) and manufacturing (SIC Group D) of both durable and non-durable goods, *except* for stone and wood products and food processing, which are included in land-based industries. Contract construction comprises 28% of this category; the manufacturing of electronic and industrial equipment 28%, and printing and publishing ranks third with 12%. A closely-watched measure, manufacturing (SIC Group D *including* land-based industries), employed 44,929 in 1995, or 17% of covered employment. This was a 1.8 percent increase over 1994.
3. **Land-Based (15,687 employed).** Agriculture and forestry (SIC Group A), mining (SIC Group B), lumber and wood (SIC Code 24) and paper (SIC Code 26) products, food processing (SIC Code 20), and stone, clay, and glass products (SIC Code 32). As noted before, the fact that self-employed persons are not counted in "covered employment" understates employment in farming and forestry. Eighteen percent of this category is employed in agriculture, 37% in forestry, wood, and paper products, and 27% in food processing.
4. **Education (28,445 employed).** Public and private education, including preK-12, trade and technical centers, non-degree adult education, and higher education. Persons employed by local public schools constitute nearly 60% of this total.
5. **Retail & Wholesale Trade (47,224 employed).** All forms of such trade except eating and drinking establishments. Food store employment dominates this category with almost 21% of the workers.
6. **Tourism, Recreation, Hospitality, and Entertainment (30,182 employed).** Eating and drinking places, lodging, amusements, and recreation services. More than 58% of the

people working in this category are employed in restaurants and bars. Another 27% work in hotels and other lodging places.

7. **Finance, Insurance, Real Estate (11,791 employed).** Banking, insurance, stock brokers, and real estate sales. More than 40% of the people in this category work for banks.
8. **Government (21,839 employed).** Federal employees represent 25% of this category, with 42% of federal workers employed by the U.S. Postal Service. Excluding education, the state hires 40% of this grouping. Seventy six percent of state workers are in public administration and program delivery. Local government, also excluding education, employs 35% of government workers, with 82% serving in public administration and program delivery.

Average Industry Wages

The Council is also concerned with wage distribution. As discussed in Part I, Vermont's economy is doing a good job of generating jobs. But the jobs being created are not, on average, paying the national wage level.



In the previous chart, we report wage levels of six major SIC Groups. These groups are not identical to those chosen to describe employment. For example, the SIC Group I for Services includes some of the jobs we include in Travel, Recreation, & Hospitality. Nevertheless, this wage data provides a useful broad comparison of industry earnings.

It should be noted that the method used to compile average wages depresses the wage levels in agriculture/forestry, retail, and service sectors, due to their seasonal nature. For example, if one person earns \$12,000 in the winter working at a ski area and \$11,000 working at a summer resort, these seasonal earnings get averaged twice in developing that industry's average wage. Nevertheless, this is the best data currently available.

The Council's goal is to see Vermont's average wage move from the current 84.7 percent of the national average to 100 percent. Our recommendations aim to stimulate the development of higher-wage jobs, either by encouraging existing businesses to develop new products or services or to attract targeted industries to the state.

While we emphasize the creation of well-paying jobs, it is also crucial that Vermont's workers enjoy their work. High job satisfaction will be best attained when there is a range of employment opportunities, some of which may pay less but encourage creativity, offer valuable experience, and provide needed services and products.

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An Overview of the Eight Sectors:

Services, Transportation, Communications, and Utilities

This is the largest grouping of employment and reflects elements that provide support across Vermont's economy. *Services* is a diverse group of activities including, for example, business, engineering, and legal services, auto repair, the health professions, social services, and nonprofit and trade organizations. *Transportation, Telecommunications, and Utilities* systems require substantial infrastructure. However, it is people with a fundamental orientation toward serving the customer, who will determine if these systems operate effectively and efficiently.

Too often dismissed as a low-paying sector, services include some of the fastest growing and high-wage occupations. One major reason is the continued growth in health services, a sector which expanded by 4.3% from 1994 to 1995 and provides 9.6% of Vermont's total employment. Another is downsizing by major corporations, which has sprung a new generation of entrepreneurs.

Service sector jobs often require specific technical skills, many of which change with new technology. The communications industry is a good example of rapidly changing demands on the workforce. This puts pressure on Vermont's system of workforce training and education. Not only does the system need to prepare workers for current jobs, but it also needs to anticipate future needs. This requires good communication between employers, schools, and technical education training centers. This is one of the objectives of Workforce Investment Boards, described in Policy Area Four.

1996 Recommendations specifically affecting this sector are: #5 — Home business definitions; #38-41 — Telecommunications; #42-44 — Energy; #45-49 — Transportation; and #52 — EPSCoR and Vermont Patent Depository and Library.

Manufacturing and Construction

The combined SIC Groups C & D added 1,442 jobs in 1995. Construction grew at 5.5% and added 45% of these new jobs, whereas manufacturing grew 1.8%. Construction is one of Vermont's most volatile industries, and it tends to lead general economic trends. For example, a building boom may signal subsequent economic growth. However, too much building may lead to excess commercial and home inventories in the event of a slow-down. In 1995, employment in heavy construction was up 17.1% whereas special trades increased 7.4%. Construction firms are directly and indirectly affected by various public policies, particularly those that impact regulatory, tax, energy, and transportation systems. Our Recommendation #15 to exempt sales tax on materials for renovation or construction of "industrial facilities" should provide a boost to this industry.

It was the second year in a row that manufacturing showed job growth, after a five-year decline that bottomed out in 1993. The highest percentage growth was in rubber and plastics industries at 13.2%. Notably, manufacturing continues as the highest paying SIC Group in Vermont's economy with a \$31,666 average wage.

Manufacturers must continue to take advantage of technological advances to improve productivity and add more value per worker. This requires added investment in both people and equipment. Incentives for these investments are crucial. The value of quality workforce education and training cannot be overemphasized. The efforts of the Human Resources Investment Council and regional workforce investment boards (WIBs) will be critical in meeting employers' needs. To encourage capital expansion, we continue our recommendation to phase out the tax on machinery and equipment.

Manufacturers must continue to take advantage of technological advances to improve productivity and add more value per worker. This requires added investment in both people and equipment.

To assist smaller manufacturers to be more competitive, the Vermont Manufacturing Extension Center (VMEC) provides a variety of services, including linking companies with consultants, offering educational seminars, and providing technical expertise in product development (see Recommendation #52). The four Centers of Excellence in food science, environmental science, biotechnology and advanced materials, described in Recommendation #51, have significant potential to create new products, processes, and industries for Vermont businesses.

Other 1996 Recommendations with a direct impact on manufacturing and construction are: #1 — Regulatory review; #3 — Professional certifications; #7 — On-site sewage systems; #8 — Underutilized and abandoned buildings; #14 — M&E tax; #16 — Workers' compensation; #21 — VEDA lending; #28 — Vermont Training Program; #31 — Technical education; #33 — Determining workforce needs; #42 — Electric industry restructuring; and #45-49 — Transportation.

Land-Based Industries

This grouping of commerce reflects the important role that natural resources have played in our economy. Included in this grouping are —

- Agricultural crops, livestock, and services
- Forestry, lumber, wood, and paper products
- Food processing
- Mining and stone industries

Agriculture

Some people view agriculture as a backdrop for tourism. We agree that the beauty of Vermont's patchwork landscape and small town layout is not only a tourist attraction but also one of the reasons why many people live in Vermont. However, the Council views agriculture as a business opportunity and our recommendations are

aimed at supporting this industry as an ongoing, productive venture inseparable from our way of life.

Vermont agriculture generated \$472 million in 1995 (about 4% of the gross state product) with about 70% of that attributed to milk receipts. According to a July, 1996 UVM newsletter, the dairy industry provides more than 11,000 jobs for farm workers, input suppliers, milk haulers, processors, marketers, and a variety of farm service firms and agencies. Vermont produces over half of New England's milk supply and total Vermont milk production is at an all-time high. This, despite the decrease in the number of dairy farms from 3,688 in 1975 to under 2,000 in 1996. This loss in farms has been largely offset by farm consolidations, increasing herd sizes (the average milking herd is now about 80 cows), and higher per-cow production.

On the cost side, dairy farmers are looking for further gains in efficiency and productivity. There is also concern about rising property taxes, in general, and for predictability in the current use program (see Recommendation #12). On the revenue side, milk pricing has been strongly influenced by a federally regulated pricing mechanism that does little to impact price fluctuations. In 1996, however, the Northeast Interstate Dairy Compact was passed by Congress, culminating a six year effort spearheaded by Vermont. A newly-formed Compact Commission is developing a regional pricing schedule that should provide Vermont's dairy farms with greater price stability. The Compact was authorized for three years, after which time Congress will assess its effectiveness.

A key issue for dairy farmers is the implementation of Accepted Agricultural Practice Rules (AAPs) and Best Management Practice Rules (BMPs). AAPs and BMPs stem from 1991 Vermont legislation that required the Commissioner of the Department of Agriculture, Food, & Markets (DAFM) to assist farmers in complying with state and federal water quality regulations. AAPs require farmers to stack and store manure between December 15 and April 1. BMPs are a more rigorous level of farm management than AAPs and

essentially require manure storage facilities to further reduce nutrient runoff. A 1995 survey of the state's dairy farms conducted by DAFM determined that 441 dairy farms would require manure storage improvements at an estimated total cost of \$19 to \$40 million over 20 years. DAFM's FY 1998 request is for \$750,000, based on \$3.35 million of project costs covered by \$2.1 million of Federal funding (63%) and \$503,000 of farmers' contributions (15%) to go along with the state contribution. We have reviewed DAFM's memo justifying this appropriation and support their request (Recommendation #22).

Diversification continues among other areas of agriculture. Cash receipts from non-dairy products have risen from \$107 million in 1987 to \$142 million in 1995. Vegetable and berry crops have grown significantly as have greenhouse/nursery crops. Much of this diversification is occurring on existing dairy farms. We believe that Vermont-made products can capture an increasing share of regional,

national, and international markets. Farm cooperatives, such as the Northeast Organic Farmers Association, are helping producers develop and expand their operations. Connections among producers, processors, and marketers will clearly enhance Vermont's agricultural industry.

The 1996 Federal Farm Bill will, over five years, essentially move U.S. agriculture to a free market system. This has significant implications for Vermont's farmers and there may be opportunities in the next couple of years to be "ahead of the curve" by anticipating the transitional effect of these changes.

In the coming year, we will work with farmers and farmers' associations to identify these opportunities.

The 1996 Federal Farm Bill will essentially move U.S. agriculture to a free market system. This has significant implications for Vermont's farmers and there may be opportunities to be "ahead of the curve" by anticipating the transitional effect of these changes.

In 1995, our agriculture advisory group suggested various policies and programs that would promote Vermont farming —

- Coordinated state marketing for Vermont farm products
- Forums to bring producers and processors together
- Education curriculum to help Vermonters better understand agriculture and encourage a new generation of farmers
- Adequate financing to assist in upscaling, diversifying production, and meeting environmental rules
- Up-to-date technological assistance

Other 1996 Recommendations directly affecting agriculture are: #4 — Recreation use statute; #10 — Seal of Quality standards; #12 — Use value appraisal; #23 — Agricultural lending policy; #27 — Coordinated state marketing; #42 — Restructuring of the electric industry; and #51 — Vermont Food Science Center.

Forest and Wood Products

With more than three-quarters of its landscape forested, Vermont has a vibrant and vital forest products industry. It is an economic anchor in many local and regional economies involving jobs that require skill, judgment, creativity, and increasing levels of training. The Vermont Department of Forests and Parks (VDFP) estimates the 1993 value of wood processing and forest harvest in Vermont at \$1.2 billion, which is over 10 percent of the gross state product. When self-employed operators are counted, the forest products industry involves nearly 10,000 Vermonters.

While many rural regions in the U.S. are shifting away from extraction-based to “amenity-based” economies, Vermont has retained jobs in this industry and is, in fact, seeing increased mill production. In addition, Vermont’s forests are the setting for various “non-consumptive uses” such as hiking, hunting and camping, which in total make a significant contribution to the state’s economy.

Nevertheless, the future for the forest products industry in Vermont is uncertain. Some worry that the connection to the landscape and rural character embedded in forest products jobs will be edged out if larger economic and demographic trends continue.

The Forest Resources Advisory Council’s (FRAC) Rural Economic Development Subcommittee met monthly during 1996 to consider the issues facing forest-based industries. In October, they issued a draft of their findings, organized under six statements related keystone issues —

- ***Sustainable Forest Management will Support a Sustainable Forest Products Industry.*** Vermont will have a comparative economic advantage in forest products *if* there is encouragement to invest in both long-term timberland management and wood processing.
- ***Uncertainty in Property and Use Value Taxation is Affecting Business Investment.*** Continued instability in the state’s approach to the use value concept will lead to disinvestment in timber production.
- ***Market Opportunities from Vermont Wood.*** There is need to address the loss of sawlog-quality wood to export markets before value is added. The FRAC work group saw promise for marketing assistance to small wood products manufacturers and the development of manufacturing “networks.”
- ***Education and Training.*** The myth that forest products jobs are low-paying and low skilled are unfounded. The technologies used in this industry are rapidly changing and employers in this industry emphasize the need for stronger vocational training to match this increased sophistication.
- ***Permitting Issues Affect Some Operators.*** Air quality standards are a problem for some manufacturers. Also, relaxed home business regulations and an increased coordination of permitting information for small operators would be helpful.

- **Legislative Attention is Warranted for both Substantive and Symbolic Reasons.** As with agriculture, pieces of various legislative initiatives impact this industry. While much of what is needed will be done in the private sector, assistance from state agencies and departments, and favorable legislation can support these efforts.

The Council endorses this ongoing work of FRAC and its work groups to promote growth in the forest products industry and will look to further incorporate their recommendations as they are developed.

The 1996 Recommendations most directly related to forest products are: #2—More understandable regulatory systems; #4 — Recreational Use Statute; #12 — Use value appraisal; #14 — Machinery & equipment tax; #16 — Workers comp premiums; #24 — International trade; #26 — Industry-based marketing; #27 — Coordinated state marketing; #28 — Funding for the Vermont Training Program; #31 — Restructuring of technical education; #42 — Electric industry restructuring; and # 52 — Technology transfer.

Food Processing

During 1995, this sector showed a healthy 5.6% increase and expectations are for continued growth. Vermont's reputation for quality allows for significant market value to be added to food products and is one of the reasons for projected growth in this industry.

However, as the specialty food and food processing firms grows, in terms of both number and size, their concerns increasingly mirror those of other manufacturing firms — regulation, taxation, domestic and international marketing, the availability of capital, and competent employees.

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food products.***

It is important that the requirements of Vermont's Seal of Quality be standardized so that food manufacturers will know the requirements for ingredients, waste management and other processing techniques to qualify to use the Seal. For this reason, we feel interim standards for the Seal of Quality should be finalized (Recommendation #10).

The Food Science Center at UVM (see Recommendation #51) will help potential in this industry to be realized. The Council believes that better coordination of the state's marketing efforts (Recommendation #27) will also help this industry, especially with international markets.

Mining and Stone Industries

The mining of minerals and the manufacture of stone products are concentrated in granite, marble, slate, and crushed stone. Granite is the largest of Vermont's stone industries, with ten operating quarries in the state. Granite manufacturers use high tech processes that result in very high worker productivity. While there is a virtually unlimited supply of granite in the state, the industry is under increasing pressure from international firms as well as those in other states. Most of our Recommendations cited as important to manufacturing and the other land-based industries pertain to the stone industries as well.

Education

The Education grouping consists of pre-school and day care; K-12 education; higher education, continuing education, and adult basic education.

Pre-school and day care is an expanding industry. Demand for these services has grown with the number of single-parent families and families with two wage earners. Since most of these operations are run out of private homes, clarification of home business regulations is needed (Recommendation #5).

Employment in local educational services (primarily K-12 education) has increased about 12 percent since 1990. This increase has been fueled by population growth and state mandates. However, the rate of increase slowed last year, with only a 1.3% growth. While this subsector employs a large number of Vermonters (16,302 in 1995, or 6.1% of employment), significant employment growth seems unlikely, given the pressures to contain education spending.

The potential for growth in Vermont's higher education institutions is significant, although there is intense competition for students among both public and private colleges. The attributes that make higher education an attractive economic sector for Vermont to emphasize include:

- Administrators and faculty are generally well paid.
- Staff are offered excellent benefits.
- Out-of-state students and their parents bring substantial revenues into the state.
- Higher education develops a quality work force.
- Higher education can pioneer the use of advanced technologies, such as distance learning techniques.

Adult education is closely related to higher education. Many Vermont colleges rely on continuing education (CE) departments for significant portion of their budgets. Specialized training programs for large employers have become an increasing share of CE offerings.

Many Vermont colleges rely on continuing education departments for a significant portion of their budgets. Specialized training programs for large employers have become an increasing share of CE offerings.

In Policy Area Four, we express our concern about Vermont's literacy rate and Adult Basic Education (ABE), guided by the Vermont Literacy Board, is working to address these concerns. ABE provides

programs primarily for adults 16 years or older who have not finished high school.

Retail and Wholesale Trade

This grouping includes all wholesale and retail establishments other than eating and drinking places, which we categorize under hospitality. Retail trade employment accounts for about 72 percent of the employment in this category; wholesale trade for the remaining 28 percent.

The average wage in wholesale trade, \$29,636, is well above both state and national average wages. Although growth in wholesale trade employment was 1.8% and below the state average of 2.6%, the potential for increases is helped by Vermont's location relative to markets in Canada, New England, and New York. Key ingredients for success include good transportation (Policy Area Seven) and telecommunications (Policy Area Six) networks. We continue to emphasize the importance of giving priority to road improvements most directly tied to economic development (Recommendation #45).

Even without eating and drinking places, retail trade provides nearly 13 percent of the state's employment. This sector offers a broad range of opportunities, including entry-level jobs that are often the first work experience for those entering the workforce and flexible hours of employment, important for people with families or in school. These positive aspects of retail counter some its reputation as a low-paying sector. Retail also allows for easier entry into ownership and management positions than in sectors requiring substantial capital or specialized knowledge. Retail trade also supports travel and tourism. For example, the Church Street Marketplace in Burlington and Manchester's retail shops draw many thousands of visitors a year.

Concerns about the impacts of "big-box-retail" outlets, whether they be malls or large single stores, are real. If poorly planned, such stores can have serious adverse effects on traffic

congestion, aesthetics, and suburban sprawl. The Council supports sound local and regional planning that looks at retail establishments as contributors to the long-term well-being of regional population centers.

Tourism, Recreation, Hospitality & Entertainment

There is no standard definition or SIC Code for the travel, tourism, and recreation industry. For our analysis, we have grouped the following activities into this sector:

- Eating and drinking places
- Motion pictures
- Amusement and recreation
- Hotels and other lodging
- Museums
- The arts and cultural events

Many aspects of this industry are seasonal and employment is influenced by weather conditions from year to year. However, employment figures alone do not fully describe the economic contribution of this sector. In addition to providing 11 percent of the employment, this sector is the source of the rooms & meals tax, which supplies about nine percent of the state's General Fund receipts. Although retail trade is included in another grouping, tourism clearly supports that sector, which contributes much of the sales & use tax revenues.

In its annual report published in March, 1996, the Vermont Department of Travel and Tourism (VDTM) profiles the Vermont visitor as one who is staying longer (4.4 nights/visit in winter and 3.2 nights/visit in summer in FY 1995), is spending more (\$922 per trip visitor in winter and \$1,096 in summer during FY 1995), is 44 years old on average, and is likely (47%) to make more than \$50,000 of income. Total visitor spending in FY 1995 was \$2.02 billion, derived from an industry formula that assumes spending on food and lodging is

Retail offers a broad range of opportunities, including entry-level jobs that are often the first work experience for those entering the workforce and flexible hours

41.6% of total expenditures. Increasing numbers of overseas travelers are visiting Vermont, with growth from 63,000 in 1992 to 88,000 in 1994.

Vermont's attractions are shared as much by residents as visitors. Ski areas with dependable snow cover, high quality food and lodging options, and attractive camping and hiking areas give Vermonters many reasons to vacation and recreate at home.

Opportunities in the tourism industry are many, including significant potential for growth in cultural heritage tourism, and a number of our initiatives aim to support these activities. Recommendation #27, calling for better coordination of state marketing programs, should help boost tourist trade. The Agency of Commerce's Downtown Legislation (Recommendation #19) will enhance prospects for cultural heritage tourism. Restoring the funding for travel and tourism through the rooms and meals tax formula (Recommendation #25) will ensure a sustained source of marketing funds. An exceptional telecommunications network (Policy Area Five) will likewise support increased travel and tourist activity, as will several of the transportation initiatives in Policy Area Seven and lower energy costs (Recommendation #42). Clarification of Vermont's Recreational Use State (Recommendation #4) is essential for both travel and recreational activity. Important also to travel and tourism are policies that support farming and forestry, discussed in the Land-Based Industries section.

Eating and drinking places are a significant part of our economy, providing nearly seven percent of total employment. Streamlined, understandable, and predictable regulatory systems (Recommendations #1 & #2) will benefit restaurants and cafes, which receive various permits from the Department of Health and Labor & Industry. Some food places are developing associated specialty foods operations and formalized Seal of Quality standards (Recommendation #10) will help those producers.

We have consistently heard from representatives of this sector that workforce training is increasingly important. While many skills are learned on the job, applicants with specific training would help this industry. For example, Johnson State College now offers program in hospitality and hotel management. The New England Culinary Institute in Montpelier is one of the nation's foremost schools for food preparation and management.

Finance, Insurance and Real Estate

Covered employment in this sector declined by 0.2 percent in 1995, as banks and insurance companies continued to restructure their organizations. However, jobs in these industries are generally well-paid with an overall average wage of \$30,153. This grouping also includes "captive insurance companies," which Vermont has worked hard to attract and provide significant tax revenues to our state.

Vermont's success with captive insurance firms demonstrates that there are significant opportunities for both revenue and employment growth in the financial sector. Last year, the Vermont Legislature passed a bill that offered tax incentives to investment management firms for growth in Vermont-based payroll and business activity. Added benefit to the state from this legislation will come from increases in income, sales and other taxes derived from the employees working in these offices. The growth of funds under investment management has been extraordinary over the past several years, and Vermont would do well to capture some of this activity. The Department of Economic Development is actively following up on this legislation to attract these businesses.

Vermont's success with captive insurance firms demonstrates there are significant opportunities for revenue and employment growth in the financial sector.

Several significant issues and opportunities face this sector. Federal deregulation of the securities industry will affect the control the state has over these activities. Also, interstate branch banking may result in mergers and acquisitions of and by Vermont's financial institutions.

Commercial and residential real estate markets will be impacted by property tax reform and tax policies (Recommendations #11 and #12) as well as transportation, telecommunications initiatives.

Government

Our definition of "government" excludes teachers, school administrators, and other government employees working in education. In 1995, non-education government workers included 2,234 U.S. Postal Service workers, 3,209 of other Federal employees, 8,649 state employees, and 7,831 employees of local government. In 1995, Federal non-postal employment declined slightly (-0.1%) in Vermont, while state non-education employment increased by that same rate (+0.1%).

Government employment has been relatively stable over the past five years. It provides above average salaries (\$25,961 compared to the statewide wage average of \$23,582 in 1995) and good benefits. Nevertheless, government continues a restructuring, reflecting financial pressures at both federal and state levels. The trend has been toward greater use of Federal block grants, which delegate more program responsibility and authority to states. There is also a trend toward privatization of government programs, in the hope that competition will improve the efficiency and lower the cost of governmental services.

The Council's recommendations in Policy Area Nine are all concerned with encouraging efficient and effective government operations.

Part V: Recommendations for Vermont's Economy by Policy Area

The Council is charged with making recommendations to improve Vermont's economy. Thus, this section appropriately comprises a majority of the report. While we use a tabular format similar to prior years — Recommendations are numbered sequentially and Action Steps identified for 1997, 1998, and 1999 to 2006 — we have added a "Recent History" column. This background information aims to bring the reader up to date on the Council's and other groups' work with these initiatives and how implementation is progressing.

The Council has selected topics in nine policy areas under which to organize our 56 recommendations:

1. **Predictable, customer-oriented regulatory systems**
2. **A competitive and stable state and local tax policy**
3. **Coordinated and cost-effective economic assistance and community development programs**
4. **A world-class workforce**
5. **An exceptional telecommunications network**
6. **A fair, predictable, and competitive energy policy**
7. **A state transportation system that supports economic development**
8. **Science and technology initiatives that stimulate economic growth**
9. **An efficient and effective state government**

Priority Recommendations

For *each* policy area, the Council determined which one or two recommendations were the most crucial. The result was a selection of 11 priorities. We further ranked these initiatives in the order of their importance to economic development. The following listing includes the recommendation number for each priority and the

page numbers on which the explanatory text and detailed steps are located:

Priority #1A: Build on *The Green Mountain Challenge*
(Recommendation #30, pages 71 & 75)

Priority #1B: Restructure Vermont's Secondary and Post-Secondary Technical Education System
(Recommendation #31, pages 72 & 75)

Priority #3: Review of Permitting Statutes and Rules
(Recommendation #1, pages 43 & 47)

Priority #4: Comprehensive Study of Vermont's Tax System
(Recommendation #11, pages 51 & 55)

Priority #5: Restructuring of the Electric Utility Industry
(Recommendation #42, pages 85 & 87)

Priority #6: Broad-based Telecommunications Planning
(Recommendation #38, pages 80 & 83)

Priority #7: Implement the VT Long Range Transportation Plan
(Recommendation #45, pages 91 & 96)

Priority #8: Enhance Vermont's Decentralized System of Economic Development Programs
(Recommendation #18, pages 58 & 65)

Priority #9: Strengthen Vermont's Downtowns
(Recommendation #19, pages 59 & 66)

Priority #10: Ongoing Planning for Science and Technology
(Recommendation #50, pages 98 & 101)

Priority #11: Study of Statewide Benchmarking
(Recommendation #53, pages 104 & 108)

Policy Area One

Predictable, Customer-Oriented Regulatory Systems

Introduction

The Council has consistently heard that Vermont's regulations should be based on defined needs and that permit processes should be faster, less expensive, and more predictable. We have *not* heard a loud cry to reduce Vermont's fundamental standards for safety, historic structures, land use, or the environment. However, we have heard that the benefits of regulations must outweigh the costs of imposing them. The Council appreciates that there are questions about which benefits and costs should be measured and how they should be valued. We support a healthy, ongoing debate on these issues.

The Council has espoused regulatory reform since its inception. By "reform" we mean refining the statute, where needed, and streamlining the permitting processes so that the system is more accessible to both knowledgeable and unsophisticated users. Without discounting the importance of regulations in protecting our quality of life and the rights of citizens, we believe that ongoing work is required to keep the regulatory burden reasonable. Reform should result in clear, consistent statute and rules that do not overlap or create adverse, unintended effects.

***Regulatory reform
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The Regulatory System

A regulatory system is comprised of written laws, or **statute**, passed by the Legislature, and **rules**, which are procedures adopted by an administrative body (an agency, department, or board) to implement the statute. For example, Act 250 (the *statute*) lists 10 criteria that must be considered in reviewing an Act 250 permit application.

Various *rules*, developed by the Environmental Board, define how party status is determined, which permits issued by other regulatory bodies serve as "rebuttable presumptions" for Act 250 criteria, the time limits for the permit process, and the length, format, and content of an application.

Changes in statute require action by the Vermont Legislature whereas a proposed change in a rule is developed by the administrative body with regulatory oversight. A proposed rule is reviewed by the Interagency Committee on Rules to identify conflicts with other rules and then released for public comment. Following the comment period, the rule is reviewed by the Legislative Committee on Administrative Rules (LCAR) for compliance with the statute.

Objectives of Regulatory Reform

The Council sees two fundamental objectives for regulatory reform:

1. ***Cut down on the volume of statute affecting Vermont businesses.*** As new statutes have been introduced, existing ones have not been removed from the books. The consequence is that statutes may be confusing and even contradictory.
2. ***Make the operation of rules more customer friendly.*** This can be done by asking several questions during the review process —
 - Does the rule provide cost-effective compliance?
 - Is information about permitting procedures readily available and understandable?
 - Are the employees who interpret the statutes and enforce the rules properly trained and motivated to carry out their jobs in a customer-friendly manner?
 - Are the rules consistently applied, so that the process is predictable?
 - Is the permitting sequence rational and efficient, so that approval decisions are not unduly extended?

We have *not* categorically concluded that Vermont is “overregulated.” In fact, some business leaders testified that Vermont’s regulatory structure provides certainty and stability and this is a *selling* point for prospective employers’ Vermont-made products. We were also presented with a summary of work done by Stephen Meyer of MIT entitled, *Environmental Protection and Economic Development in New England*. Over a 10-year period from 1982 to 1992, Dr. Meyer’s research showed that Vermont had similar overall growth but flatter peaks and valleys in construction, manufacturing, and services employment as well as a lower rate of business failures than New Hampshire, considered by many to be less regulated and more business friendly than Vermont. (With regard to the last finding, another study indicated Vermont had a lower rate of business start-ups, too.) Meyer’s study also showed Vermont experienced one-fourth the rate of bank failures as compared to New Hampshire, Massachusetts, and Connecticut. While we are encouraged by these findings, we nevertheless see room for improvement in our regulatory systems.

Which Statutes and Rules?

Some regulation is specific to an industry. For example, banks, insurance companies, securities dealers, milk handlers, liquor distributors, hospitals and nursing homes, junkyards, sellers of gasoline, and child care facilities are all subject to regulatory oversight. The Public Service Board and Department of Public Service regulate our energy utilities and telecommunications providers, and the Water Resources Board establishes key water and wetland management policies. However, the Council is focusing its efforts on statutes and rules that affect the greatest number of businesses, namely, those administered by Labor & Industry (L&I), the Agency of Natural Resources (ANR), and the Environmental Board (E-Board).

Of these last three regulatory bodies, **L&I** has by far the most contact with Vermont businesses. It administers the following programs: Fire Prevention, Vermont Occupation Safety and Health Administration (VOSHA), Passenger Tramway, Wage & Hour, and Workers’ Compensation claims. Its regulations affect over 50,000

public buildings and is responsible for safety of the general public as well as the workforce.

ANR enforces Vermont’s environmental laws. Its Department of Environmental Conservation (DEC) has jurisdiction over wastewater and solid waste management, air pollution, and water quality permits. For example, several thousand permits aimed at preventing health hazards and pollution from new construction are issued each year.

The **E-Board** administers Vermont’s statewide land-use statute, Act 250, through nine District Commissions. The E-Board coordinates the districts’ efforts and rules on appeals of their decisions.

Perception vs. Reality

The Council has heard testimony that “Vermont is a tough place to do business.” We have also heard that state agencies, departments and boards are working to improve their performance and “user friendliness.”

Since its inception, the Council has heard testimony that “Vermont is a tough place to do business.” We believe this is partially based on impressions made from unsatisfactory anecdotal experiences with regulators where applicants neither got consistent information nor obtained prompt responses. We have also heard that state agencies, departments, and boards are working to improve their performance and “user friendliness.” We will include in our annual reports data on these entities’ performance measures.

1996 Recommendations

Priority #3

Recommendation #1: Review of Statutes and Rules

We recommend a five-year review of regulatory statutes and administrative rules. This effort should be cyclical and ongoing so that at least every five years each statute and rule is reviewed. Such reviews are already being done by the E-Board, ANR, and L&I. The five-year time frame should give these and other administrative bodies ample time to complete their work.

L&I has proposed eight principles they feel, and with which we concur, should be considered in assessing statutes and rules:

1. The statute and rules are needed.
2. The statute and rules are current.
3. Interpretation of the statute and rules is predictable.
4. The lay person can understand the permitting process.
5. The permitting process is timely.
6. The administration of the process is professional.
7. There is adequate cross-agency contact to minimize overlap of jurisdiction and enforcement.
8. The statute and rules achieve the intended results consistent with public policy.

In 1995, the E-Board performed a rewrite of all its existing rules resulting in a number of changes aimed at streamlining the Act 250 process. Hearings, with strong public participation, were held on these changes and final approval given in 1996 by the Legislative Administrative Rules Committee. Clarification was made to rules governing citizen participation, accessibility of the system, and ways to reduce duplicative permitting.

ANR has commenced a multi-year regulatory review. The Agency is streamlining its permitting processes through more use of

general permits and by increasing reliance on the certification of licensed professionals.

L&I has engaged in a systematic review of its rules during the past year and has made proposed rules available for public comment on its Web Home Page.

Recommendation #2: Making the Regulatory System More Understandable and Less Time Consuming

Simultaneous with a review of statutes and rules should be efforts to make the system accessible to all permit applicants. Clear, updated explanatory materials will help, as will an adequate number of trained, professional staff with an aim to serve their customers.

Some permits are relatively straightforward, inexpensive, and easy to complete with minimum assistance. Rulings on these permits should be prompt. Others, especially those for large-scale projects involving water and sewer systems, may require a thorough technical review and take considerable time for a ruling. Thus, one kind of format for application materials will not work — they need to be tailored to the type of permit and size of the project.

ANR has taken significant steps toward making their permitting system more accessible. In 1996, they published their *Permit Handbook* that lists descriptions, contacts, and the projected time for a decision for all of its permits as well as permits and filings required by 12 state entities and the Federal government. In addition, ANR recently went on-line with its Environmental Notice Bulletin, which is updated weekly and lists the status of specific pending permit applications.

We see the value of tracking how regulatory entities are doing. The E-Board, L&I, and ANR have each developed performance standards for aspects of their work. The Council applauds their efforts to target a high level of service and we encourage these entities to complete their development of performance-based systems and issue annual reports on progress made towards goals. For example, L&I

aims for a 30-day turnaround on most of its permits. During the past year, decisions were rendered on 88 percent of its permit applications within this standard.

We continue to hear more concerns about L&I than any other regulatory body. This is, no doubt, partially due to L&I's frequent contact with Vermont businesses. Nevertheless, we see value in continuing our 1995 recommendation for an independent survey of L&I's permit applicants to assess that department's performance and gather constructive ideas for improvements. We further recommend that the legislature fund this survey.

We also encourage ANR and the E-Board to continue their efforts aimed at minimizing the overlap between their permitting processes.

Recommendation #3: Private Professional Certification of Compliance with Permitting Regulations

The Council sees potential for displacing some state permit inspections by certifications made by licensed professionals. This could help reduce the state's work load and speed up the review process. This is an area, however, that requires careful thought before changes are made. A transition from the current system, with which the business community is familiar, may raise concerns about predictability, effectiveness, and cost. We have also heard testimony from the professional community that the potentially large scope of delegated statutory responsibility is troublesome, and that this scope must be more clearly defined for purposes of their liability insurance coverage.

We have been advised by L&I and ANR that they are looking at which of their permits might qualify for a "presumption of compliance" when signed off by a trade professional. We suggest that ANR and L&I make recommendations by the end of 1997 on which permits, and under what conditions, should be considered for professional certification.

Recommendation #4: Clarify Vermont's Recreational Use Statute

Much of Vermont's open space is privately owned land that is enjoyed by hunters, fishermen, and hikers. Currently, if land is not posted to prohibit its use, then owners *may* be liable for injuries sustained, even if permission has not been granted and landowners are not aware their land is being used. The result is large tracts of posted land, which both blights the landscape and reduces recreational options.

Currently, if land is not posted to prohibit its use, then owners may be liable for injuries sustained, even if permission has not been granted and landowners are not aware their land is being used.

A bill introduced last year would have clarified ambiguities in Vermont's Recreational Use Statute such that landowners would be held harmless if persons were injured while using their property if there was no compensation given for its use and if hazards were clearly marked. If we are to expect that private lands will continue to be open to the general

public, then landowner rights must be preserved and the associated liability to the general public limited. We believe this clarification is important to Vermont's recreation industry and recommend that it be reintroduced and passed in the 1997 session.

Recommendation #5: Home Business Definitions

Acting on the recommendations of the Home Business Task Force, the definition of "public building" was relaxed in the 1996 Legislative session to exclude buildings where *less* than two unrelated people are employed. Previously, a business owner with just one employee had to, according to the law, upgrade their entire home to "public building" standards. However, the Legislature failed to revise the definition of "office" to exclude buildings that were not entered by customers on a "regular" basis.

The Council continues to support the recommendations by the Task Force, whose work is being carried forward by the Vermont Home Business Alliance. We feel that home businesses should not bear the burden of regulations that may have been intended to apply to larger-scale operations.

Recommendation #6: Update Commercial Laws

Recently, the Legislature took steps to update our commercial laws relating to the Uniform Commercial Code, Limited Liability Companies, Non-Profit Organizations, and Model S-Corporations. This updating is necessary, since most competitor states have already done this work. Left on our books are the Model Partnership, Limited Partnership, and Limited Liability Partnership statutes. We recommend that the updating be completed in 1997, subject to pending Federal tax law changes, with all commercial laws then periodically reviewed beginning in 1999.

We were surprised to learn that Vermont is the only state without computer crime legislation. Experts testified that unauthorized electronic entry into a computer system, via modem, for instance, is not punishable under Vermont law. We feel that this needs to be rectified immediately in the upcoming Legislative session.

We were surprised to learn that Vermont is the only state without computer crime legislation.

Recommendation #7: Use of Emerging Technologies for Wastewater Treatment

The Council sees opportunity for Vermont to be in the forefront of its use and development of environmental technology. There are a growing number of environmental engineering firms located in the state and we should encourage their growth, both to further the field and create well-paying jobs.

We were encouraged to learn that Vermont Technical College received an EPA grant to serve as a regional wastewater treatment center. This is part of EPA's National Demonstration Program to install and test alternative wastewater technologies.

To support these innovations, the Council urges for agreement in the 1997 Legislature on rules governing design of on-site waste water disposal facilities. Such a bill, H. 444, which would have revised the process of design review and installation of land-based septic systems, nearly passed last year. We hope the efforts made by the On-Site Sewage Committee, which has worked diligently to gather consensus among developers, regulators, environmentalists, and planners, will result in passage of this legislation. We urge that a final agreement closes the so-called "10-acre loophole," which exempts from design review, all parcels over 10 acres. The effect of this exemption is to encourage sprawl in rural areas not served by municipal sewage systems. We also encourage that the legislation allow municipalities to manage significant portions of the permit review program, thus reducing overlap with state regulators.

Recommendation #8: Underutilized and Abandoned Buildings

There are various reasons why older buildings are vacant or being underutilized. These reasons might include poor location, drainage problems, substandard utility hook-ups, and poor design or construction. Remedies for these problems can often be creatively addressed. However, when a site is contaminated, a host of legal issues surface.

There are around 3,000 Contaminated Properties identified in Vermont. The majority of these relate to petroleum storage. EPA Superfund regulations do not recognize petroleum as a contaminant. But many states, including Vermont, assist with cleanup of these sites. Vermont has a Petroleum Cleanup Fund that currently can be accessed only when a site has a buyer (i.e. there is a Prospective Purchasers Agreement, or PPA). However, if a *current* owner wishes to use or expand use of such a site, the fund is not available to them. We think this discourages the intent of the legislation and has resulted in many unused buildings. Were this provision changed all at once, there might be a flood of applicants, which could deplete the Cleanup Fund. Thus, we recommend that in 1997 this provision be extended to current owners and prospective purchases of “qualifying downtown sites,” as prescribed in the Agency of Commerce’s proposed Downtown Community Development Act. If this program proves successful, we suggest it be expanded in 1998.

We also recommend that a complete inventory of abandoned buildings be compiled, spearheaded by the regional development corporations and planning commissions.

Recommendation #9: Coordinated State and Local Permitting

With regard to permitting, we have heard a number of complaints that different regulating bodies — local, regional, and statewide — do not seem to be working closely together. The Council sees that a further opening of lines of communication among regulators and users will help address both the perceptions and the realities concerning regulation.

As the largest regulatory body, we recommend that ANR convene regular discussions among local, regional, and state regulatory entities, with the objective of eliminating overlaps and inconsistencies.

The Council sees that a further opening of lines of communication among regulators and users will help address both the perceptions and the realities concerning regulation.

To address perceived conflicts between Act 200 and Act 250, we recommend that representatives from the E-Board, municipal and regional government, and the Department of Housing and Community Affairs meet to clarify how the various rules and regulations interact and to enhance the working relationships among their organizations.

Recommendation #10: Formalize Vermont Seal of Quality Regulations

The Seal of Quality Regulations provide specific guidelines for growing, harvesting, and processing of agricultural products if they are to receive the Seal. It is intended that this distinction gives a product a competitive market edge. Currently, there are standards in place for apples and apple products, dairy products, eggs, honey, maple products, potatoes, sprouts, processed fruit, and vegetable products. *Interim* standards are written for apple cider, beef products, blueberries, Christmas trees, farm-raised fish, small fruits and vegetables, gamebirds, ginseng, lamb, chicken, turkey, rabbit, venison, and wool.

Interim standards cannot be legally enforced — they are merely advisory — and we recommend that this be rectified by going through the public hearing process in order to formalize them. We further recommend that both the Department of Agriculture, Food, and Markets and the Department of Tourism and Marketing collaborate on the hearing process, so that an adequate emphasis on marketing is assured. Hearings will cost about \$1,500 per standard, but we feel the potential benefits from having the standards in place is substantial.

Recommendations	Recent History	Action Steps During 1997	Action Steps During 1998	Action Steps 1999 to 2006	Indicators (1)
Policy Area One: Predictable, Customer-Oriented Regulatory Systems					
1. <u>Priority #3</u> Streamline Vermont's regulatory systems by instituting a five-year plan to review the viability and compatibility of existing statute and administrative rules.	1995: VEPC recommended a four-year review process for regulations under ANR, L&I, and the E-Board. This year, the recommendation is expanded to all regulatory agencies, under a five-year time frame. Each of these administrative bodies have begun or completed a review process.	<ul style="list-style-type: none"> By September, 1997, all regulatory agencies will issue a <i>brief</i> plan, including a proposed schedule, to the appropriate legislative committees. Review criteria should include — <ul style="list-style-type: none"> (a) a statement of original purpose for each statute or rule, or related groups of statutes and rules, as to why they are still needed, and how they achieve their intended results, (b) whether interpretation of the statute or rule has been predictable and the process understood by the lay person, and (c) whether the permitting process has been timely and professionally administered. <hr/> <ul style="list-style-type: none"> VEPC includes a report of progress made in the review process in its annual report. <hr/>	<ul style="list-style-type: none"> As a follow-up to the plan issued in 1997, a report is delivered by each regulatory agency to the appropriate legislative committees and LCAR by November 1, 1998, and should include — <ul style="list-style-type: none"> (a) a listing and summary of current statutes and rules, (b) the cumulative schedule of review from 1995 through June 30, 2000, (c) proposed changes in statutes and rules, including those which could be revised or culled, (d) opportunities for consolidation and collaboration with other state agencies, and (e) a schedule for public comment to review findings. <hr/> <ul style="list-style-type: none"> Opportunities to streamline rules and regulatory statutes reviewed by appropriate legislative committees. <hr/> <ul style="list-style-type: none"> VEPC includes a report of progress made in the review process in its annual report. <hr/>	<ul style="list-style-type: none"> An annual update pertaining to the 1998 report is delivered in 1999 to 2001 by each regulatory body to the appropriate legislative committees and LCAR. A second five-year review cycle begins in 2002. <hr/> <ul style="list-style-type: none"> Opportunities to streamline rules and regulatory statutes reviewed by appropriate legislative committees. <hr/> <ul style="list-style-type: none"> VEPC includes a report of progress made in the review process in its annual report. <hr/>	49 50 51 52 54
2. Make regulatory	1995: VEPC recommended	<ul style="list-style-type: none"> L&I, ANR, and E-Board 	<ul style="list-style-type: none"> E-Board issues report on effects 	<ul style="list-style-type: none"> E-Board issues report every two 	49

<i>Recommendations</i>		<i>Recent History</i>	<i>Action Steps During 1997</i>	<i>Action Steps During 1998</i>	<i>Action Steps 1999 to 2006</i>	<i>Indicators (1)</i>
	procedures easier to understand, more consistent, and less time consuming.	creating a position of Director of Regulatory Affairs to help coordinate efforts among ANR, L&I, and the E-Board to review and revise their rules and regulations and minimize overlap. Since that position was not created, we are relying on our recommendation #1 for the review process and these action steps for updating explanatory materials.	<p>complete tracking systems to measure timeliness against performance standards and submit reports to the Legislature.</p> <ul style="list-style-type: none"> • E-Board, ANR, and L&I update explanatory materials to promote easier access to their respective permitting systems. • Legislature provides funding for an independent survey of L&I inquiries over the past 12 months to determine — <ol style="list-style-type: none"> (1) overall satisfaction with service, (2) recommendations for improvement, (3) the time it took to receive/be denied various permits, and (4) the quality of the regulations being enforced. 	<p>of rule changes on Act 250 administration.</p> <ul style="list-style-type: none"> • E-Board, ANR, and L&I continue to update and distribute explanatory materials. • Legislature funds an independent survey of businesses and general public every three years to gauge perceptions about state regulations. See survey parameters in 1997 column. 	<p>years on effects of rule changes on Act 250 administration.</p> <ul style="list-style-type: none"> • E-Board, ANR, and L&I continue to update and distribute explanatory materials. • Legislature funds a survey of businesses and general public every three years to gauge perceptions about state regulations. See survey parameters in 1997 column. 	50 51 52 54
3.	Pursue opportunities for greater use of private certification of compliance with permit regulations by licensed trade professionals.	1993-1995: VPEP and VEPC have included this same recommendation. Some progress has been made, but there is not agreement as to whether or how much the state will delegate the inspection authority or review licensed professionals' work.	<ul style="list-style-type: none"> • L&I and ANR further develop proposals begun in 1996. 	<ul style="list-style-type: none"> • L&I and ANR proposals implemented. 	<ul style="list-style-type: none"> • Evaluate the success/failure of privatization programs. 	52 54
4.	Clarify Vermont's Recreational Use Statute. Title 10 V.S.A.	1995: VEPC's recommendation identical to this year's. There was broad	<ul style="list-style-type: none"> • Agreement among landowners and recreational advocates reached, and Legislature passes 			31 35 40

<i>Recommendations</i>		<i>Recent History</i>	<i>Action Steps During 1997</i>	<i>Action Steps During 1998</i>	<i>Action Steps 1999 to 2006</i>	<i>Indicators (1)</i>
	Statute, Title 10 VSA Section 5212, to relax landowner liability for recreational use of property.	support for this bill in 1996 session. Expected to be re-introduced in 1997 session.	bill clarifying liability, effective immediately.			40
5.	Encourage home-based businesses by clarifying and revising, as needed, regulations that impact home businesses.	1994: VEPC recommended that guidelines for home business operations be developed. In 1995 VEPC suggested that the Home Business Task Force's recommendations be implemented. Some employee-related and "public building" definitions were clarified and broadened.	<ul style="list-style-type: none"> Vermont Home Business Alliance frames remaining issues affecting home businesses and issues report with recommendations by November 1, 1997. 	<ul style="list-style-type: none"> L&I, ACCD, and Vermont Home Business Alliance work together to draw up proposed legislation and rule changes. 	<ul style="list-style-type: none"> Law and rule changes implemented. 	6 3(h) 57 68 69
6.	late commercial s.	VEPC and VPEP have recommended an update in commercial laws since 1993. UCC was updated in 1994. In 1995, Limited Liability Companies were authorized and Nonprofit statutes updated.	<ul style="list-style-type: none"> Subject to pending Federal tax law changes, Legislature passes the Model Partnership, Limited Partnership, and Limited Liability Partnership Acts. Computer crime legislation drafted and passed. 		<ul style="list-style-type: none"> Periodic reviews of all commercial laws to be sure Vermont laws are current. 	3(g) 45 47
7.	Develop and implement rules that take advantage of emerging environmental technologies.	Same recommendation as 1995. Current focus is on wastewater treatment technologies. (Last year's bill was H. 444.)	<ul style="list-style-type: none"> Legislature passes On-Site Sewer Bill, which will revise the process of design review and installation of land-based septic systems. Link to Vermont Technical College's Wastewater Training Center. 	<ul style="list-style-type: none"> ANR issues report discussing the success of On-Site Sewer technology implementation and the number of installations affected by changes in the review process and recommends refinements. 		19 52 77
8.	Make use of Under-utilized and Abandoned buildings.	First introduced in VEPC's 1994 report. Contaminated Sites are a contributing reason for under-use and	<ul style="list-style-type: none"> Legislature amends the Redevelopment of Contaminated Sites Program to include both current owners and 	<ul style="list-style-type: none"> ACCD, ANR, BI&S, and Attorney General's office review success of amended program and assess whether to 	<ul style="list-style-type: none"> Depending on outcome of 1998 review, recommendations to expand the amended program beyond downtowns considered 	6 54 51 52

<i>Recommendations</i>		<i>Recent History</i>	<i>Action Steps During 1997</i>	<i>Action Steps During 1998</i>	<i>Action Steps 1999 to 2006</i>	<i>Indicators (1)</i>
		abandonment.	prospective purchasers of qualifying downtown sites (part of ACCD's 1997 Downtown Community Development Act). Expand use of EPA's Federal Site evaluation Fund. • RDCs, RPCs, and ACCD complete an inventory of abandoned buildings by region.	expand the program beyond downtown properties. The inventory of abandoned buildings (below) should be considered. • Abandoned building inventory updated.	by the Legislature. • Abandoned building inventory updated.	58
9.	Coordinate permitting at the state and local levels.	1995: First introduced by VEPC. DHCA works on an ongoing basis with Act 200 issues and other agencies on an ad hoc basis. No formal discussion mechanism in place.	• ANR sponsors and coordinates discussions among regulating state bodies. • E-Board, representatives of municipal and regional government, and DHCA collaborate to improve their working relationships and the relationships between Act 200 and Act 250. • Take advantage of information systems links to coordinating permit processes.	• ANR discussion group develops proposals for public comment. • Intra-governmental permit information system designed and piloted.	• Various state bodies implement proposals. • Intra-governmental permit information system fully functional.	21(d) 27 49 50
10.	Formalize Vermont Seal of Quality standards.	1995: VEPC Report recommended proposing Standards. Interim Standards are in place. Now they need to be formalized.	• Hold public hearings for interim Standards.	• Legislative Committee on Administrative Rules adopts standards.	• Number of products qualifying for Seal of Quality reported in VEPC annual report.	26 43

(1) See Part III, Vermont Indicators, for measures that relate most directly to these recommendations.

Policy Area Two

A Competitive and Stable State and Local Tax Policy

Introduction

The Council frequently hears that tax policy is a crucial element in creating a good business climate.

The six main groupings of Vermont taxes (and their present taxing authorities) are:

- Personal income tax (state)
- Sales & use, cigarette, liquor, and beverage taxes (state)
- Corporate income and business taxes (state)
- Rooms & meals taxes (state)
- Fuel taxes (state)
- Property taxes — real and personal property, including machinery and equipment tax (local)

The first five groups of taxes are assessed uniformly statewide (although several municipalities have been authorized by the Legislature to increase the rooms & meals tax) with the largest single tax being the personal income tax.

Local property taxes on real estate and machinery and equipment are the principal source of funds for public education and municipal services. Because there is wide variation in the relationship between grand lists and school populations, tax rates vary dramatically among towns and cities in Vermont. Some towns find it relatively easy to provide a high level of financial support for their public schools while others are hard-pressed to fund their schools.

Reform of the local property tax system has been debated at length but without agreement on either the underlying facts or on the principles that could form the basis for change. The results of the

November, 1996 election suggest a mandate for property tax reform in the 1997 session.

1996 Recommendations

Priority #4

Recommendation #11: Comprehensive Tax Study

The Council was encouraged by the 1996 Legislature's appropriation of \$30,000 for the tax study conducted by the Joint Fiscal Office (JFO) between May and November. We were consulted by the JFO on the design of the study and, considering the limits of time and resources available to them, were impressed with the quality of research and reporting.

However, rather than being a conclusive statement from which broad policy decisions can be drawn, we see the JFO study as a first step of a comprehensive study of Vermont's tax system, including state and local taxes. The JFO tax study was *not* intended to be a comprehensive study, which would include public comment and policy recommendations. Rather, it was a fact-finding effort, with JFO charged to gather data on representative individual and business taxpayers and calculate their total tax liability under Vermont law compared to tax laws in 12 comparison states.

Among the results of the study, were the following:

- Vermont's *average* individual and corporate tax burdens are in the mid-range compared to other states.
- While the average rates are mid-range, the top individual income earners experience the fifth highest *marginal* rates nationally. One result of this is that while only one-half percent of Vermont's individual taxpayers pay the top marginal rate, they contribute 15 percent of the income tax revenue. Extending this analysis, the JFO discovered that the top 3.3% of income earners pay 35% of the income tax.

Following release of the draft of the JFO study, the Council raised several concerns —

- The average tax rates received greater attention than the top marginal rates. The Council feels that more in-depth analysis is needed to determine the effect of taxes among and between the different income groups (i.e., disaggregation). However, the data we do have from the JFO study leads us to oppose any increase in the marginal rate. In our view, an increase would make vulnerable a source of revenue on which the state is so dependent.
- Businesses with over 500 employees were not represented in the sample. Yet, the decisions made by these large businesses affect the stability of the state's tax revenues. The Council suggests that this category must be compared to other states in making tax policy recommendations.
- The significant difference between New Hampshire's taxes and all other states' tax burdens needs to be better explained, especially due to its proximity and differing tax policies.
- Various "hidden" taxes (e.g., utility taxes) should be included in tax comparisons.

Since the release of the JFO study, the media has reported several in-depth analyses and various informal ideas of "solutions to the problem" have surfaced in political circles. The Council cautions against drawing policy conclusions from this study. While we appreciate the work of the JFO, we question some of the sampling methodology and the scope of the study. Four of five questions we raised in our draft report are yet to be answered (the fifth question asked about marginal rates, which were partially addressed in the study) —

- Does the current revenue system have a structural, or built-in, deficit?

- How is the current burden of taxation distributed throughout the state, based on income levels, industry sectors, and geography?
- What is the capacity of the various sources of tax revenue, and to what extent is that capacity being utilized?
- What changes, if any, (including tax increases, decreases, and incentives) should be recommended to the state and local tax system that will: (1) be fair, (2) provide revenues so that government can adequately serve Vermonters, and (3) encourage the development of a stronger, diverse, and sustainable economy?

....notwithstanding that some form of property tax reform is likely in 1997, the Council continues its recommendation for a comprehensive tax study.

With these questions still pending, and notwithstanding that some form of property tax reform is likely in 1997, the Council continues its recommendation for a comprehensive tax study. We will endeavor to convene a meeting with the Governor and Legislative and business leaders early in the 1997 Legislative session in order to determine goals, study scope, timing, a budget, and available resources.

We support the JFO's recommendation for increased research capacity in the Tax Department. This resource should be available, however, to both the Executive Branch and the Joint Fiscal Committee. Added research capacity will not only benefit a comprehensive tax study but also provide for analysis of ongoing proposals, such as the effects of legislation authorizing limited liability corporations.

It is widely recognized that any consideration of changes to the tax system *must* include proposals on property tax reform. Total local property tax revenues are nearly as large as the General Fund and have been increasing in recent years, whereas General Fund revenues have flattened out. About 80 percent of the property tax burden relates to the cost of education.

The property tax reform debate will include cost and quality issues, discussed in Policy Area Four. However, two tax policy issues

are also sure to surface in this discussion: (1) The disparity in property tax burden of low-paying, or “rich,” towns (high tax base relative to education costs), and high-paying, or “poor,” towns (low tax base relative to education costs) and (2) Whether more of the cost of public education should be paid by broad-based taxes, such as income, sales, or gross receipts taxes.

These issues will be examined and re-examined in depth in the coming months. The Council will participate in that discussion with the intent of contributing to meaningful property tax reform.

Recommendation #12: Use Value Appraisal

The preservation and utilization of Vermont’s lands as a productive rural landscape is essential to the character and visual appeal of Vermont. The Council believes that land under good management practices should be taxed at its use value, not its development value. This can be done either by appraising and enrolling property at its use value at the local level and thereby adjusting the grand list, or by fully funding the Use Value Appraisal Program (a.k.a. Current Use). Use value is essentially the net present value of the stream of future cash flows from an investment in farms or forest land.

The Council believes that land under good management practices should be taxed at its use value, not its development value.

Last year, the Council recommended the former and this was passed by the Legislature effective July 1, 1996 for a one-year period. The transition from state to local funding has not been easy, even with the state providing \$5.1 million in “hold harmless” funding to the towns to offset a portion of lost revenues. To clarify this heated controversy, the Governor appointed the Current Use Task Force to study the issues and make recommendations before the Legislature convenes. Based on the Task Force meetings, three themes have emerged that should be considered in an eventual agreement —

1. The current statutory use values (e.g., \$89 per acre for forest land) *may* be too low for some parts of the state, although opinions on this varied within the Task Force. While even managed woodland with conservation rights sold is selling, in places, for over \$500 per acre, current use advocates testified before the Council that the property tax bill at \$89 per acre results in an average rate of 40 to 60 percent of the woodlot value gained during a year. The advocates suggest that any kind of significant raise in the statutory values, thus requiring participating landowners to pay more property taxes to their towns, would make investment in forest land uneconomical.
2. Open land is important to Vermont’s economy and heritage and, in many cases, a bargain for towns. Even at its use value, open land often produces more revenue for the town than it costs to provide services to the landowner. This is less often the case with developed land.
3. Towns need a stable flow of revenue. There is concern that “hold harmless” funding will dry up in tight times, just as Current Use funding did. Property tax reform may relieve some of the concerns towns have about this.

With this provision scheduled to sunset June 30, 1997, it is incumbent upon the Legislature to review the Task Force findings, including the Minority Report, and find appropriate ways to continue use value appraisal as an important tax policy.

Recommendation #13: Stabilization Reserve

The Governor and Legislature made tough choices last year to balance the budget. However, it has been several years since the state has had a Rainy Day Fund or Recession Trust Fund. The Governor has said funding a Stabilization Reserve is a priority and we concur. Many states use a target of five percent of their most recent combined fund expenditures to cover unexpected downturns in the economy or a shortfall in one or two tax sources for a given year. Accordingly, we recommend that this amount be built up over five years, one percent per year, so that by June 30, 2002, a five percent reserve is attained.

Recommendation #14: Reduce Machinery & Equipment Tax

Although legislation introduced to repeal the machinery and equipment (M&E) tax failed last year, we continue to support ways to reduce this tax. Building the productive capacity of Vermont's industrial base is a key ingredient to establishing a healthy economy, and disincentives to new investment make cities and towns that assess M&E tax a less attractive place for businesses to locate or expand. Recognizing this, some towns voted to unilaterally eliminate the M&E tax. That may place those towns at a competitive advantage for business development, but it could also raise residents' property tax burden.

We think it will serve to level the playing field if the Legislature eliminates the authority for cities and towns to assess taxes on *new* machinery and equipment purchased after July 1, 1997. Levies on *existing* machinery and equipment should also be phased out. Depreciation of the machinery and equipment will, over time, eliminate the tax, but that process is slow and uncertain. For some cities and towns, too rapid a termination of the tax would put extreme pressure on the general property tax rate. The Council thus recommends that a *policy* of elimination of all property taxes on machinery and equipment be adopted by the state, but that the implementation of the policy be left to the discretion of local communities.

Recommendation #15: Industry-Specific Tax Incentives

As part of a policy to target certain industry sectors for growth, we support a proposal to exempt from sales tax materials that are used to build or renovate manufacturing facilities. The projects covered should include "industrial facilities," as defined by VEDA. The purpose of this incentive is to create high-paying jobs. To minimize the administrative burden, we recommend that the total project cost be at least \$1.0 million to qualify for this exemption. An analysis is being done by the Department of Economic Development to project both the potential tax and revenue impacts of this provision.

Recommendation #16: Workers' Compensation Premiums

While workers' compensation premiums are not part of the tax system, they do affect the business climate and we include them in this section. While Vermont has one of the lower *overall* rates in New England, certain occupations, such as logging and quarrying, have very high premiums which negatively impact these industries. We recommend that the Departments of Labor & Industry and Banking, Insurance & Securities continue their efforts to lower these costs.

Recommendation #17: GAAP Reporting

The state has continued to move towards bringing its financial reporting into compliance with Generally Accepted Accounting Principles (GAAP). For the fiscal year ending June 30, 1996, the state will report its Governmental Funds in the Comprehensive Annual Financial Report (CAFR) on a modified accrual basis as promulgated by the Government Accounting Standards Board (GASB). The modified accrual basis of accounting, which focuses on the "flow of financial resources" concept, reports revenue in the accounting period when it becomes measurable and available to pay current liabilities and reports expenditures in the period during which their corresponding fund liabilities are incurred. GASB states this treatment, rather than a full accrual method, prevalent in commercial financial accounting, best reflects governmental needs for matching current revenues and expenditures. The Department of Finance and Management (DFM) will report the FYE June 30, 1996 fund balances (and restated June 30, 1995 figures) on modified accrual, one year ahead of DFM's anticipated conversion schedule.

We also continue to recommend that Vermont reports a General Fixed Assets Account Group in its CAFR, as required by GAAP and GASB. An incomplete list of the State's general fixed assets (at replacement value rather than historical value as required by GAAP) is maintained by the State's Risk Management Division for insurance purposes. The State is planning to address the problems associated with generating and maintaining a General Fixed Assets

Account Group as part of the design of its new Financial Management Information System.

<i>Recommendations</i>	<i>Recent History</i>	<i>Action Steps During 1997</i>	<i>Action Steps During 1998</i>	<i>Action Steps 1999 to 2006</i>	<i>Indicators (1)</i>
<i>Policy Area Two: Competitive and Stable State and Local Tax and Fiscal Policies</i>					
11. <u>Priority #4</u> A comprehensive study is done of Vermont's tax system to ensure a competitive and stable tax policy.	One of VEPC's lead recommendations in 1994 and 1995. In 1996, the Legislature appropriated \$30,000 for a tax study to be conducted by the Joint Fiscal Office (JFO) which VEPC participated in the design and review of.	<ul style="list-style-type: none"> • VEPC convenes a meeting with the Governor, key Legislative leaders, and representatives from the business community early in the 1997 Legislative session to determine the goals, study scope, timing, budget, and available resources for a comprehensive tax study. • Research staff is added to the Tax Department and made available to the Executive Branch and the Legislature. 	<ul style="list-style-type: none"> • Legislature analyzes results of comprehensive tax study and implements comprehensive tax reform, including property taxes. 	<ul style="list-style-type: none"> • Joint Fiscal Office and Tax Department research staff monitor effects on tax revenues from law changes and issues bi-annual report to the Legislature. 	1 3 4 28 29 30 38 46 55 56 57
12. Vermont adopts a use value appraisal property tax system, which appraises farm and forest land at its local land use value, not its development value.	VEPC supported the Current Use Program with means testing in 1994. Means testing was dropped by VEPC in 1995. As consistent funding for Current Use became problematic, in 1995 VEPC recommended the valuation be conducted at the local level, which was what the 1996 Legislature passed, with a June 30, 1997 sunset.	<ul style="list-style-type: none"> • Legislature reviews findings of Current Use Task Force, including the Minority Report, and preserves use value appraisal. Legislation should meet three objectives — <ol style="list-style-type: none"> (1) determine the appropriate statutory use values, (2) weigh the taxes received against the cost to towns of servicing open land, and (3) ensure the stability needed by towns to do their fiscal planning. 	<ul style="list-style-type: none"> • Any changes made in 1997 become effective FY 1998. 	<ul style="list-style-type: none"> • Tax Department monitors participation in use value appraisal program (Enrollment ensuring good management practices should be required.) and issues annual report to the Legislature. 	3(c) 21 22 27 28 29 30 31 33 57
13. Institute a stabilization reserve to provide for financial stability.	In 1994, VEPC recommended that a Recession Trust Fund be made part of the proposed tax study. In 1995, VEPC	<ul style="list-style-type: none"> • FY 1997 budget allocates funds to establish a reserve equal to 1% of the FY 97 combined fund (general and transportation) budget. 	<ul style="list-style-type: none"> • FY 1999 budget allocates funds to build a reserve equal to 2% of the FY 97 combined fund budget. 	<ul style="list-style-type: none"> • Add an additional 1% to the reserve each year until year 2001 when reserve tops out at 5% of the prior year's combined fund budget. 	56

<i>Recommendations</i>		<i>Recent History</i>	<i>Action Steps During 1997</i>	<i>Action Steps During 1998</i>	<i>Action Steps 1999 to 2006</i>	<i>Indicators (1)</i>
	financial stability.	tax study. In 1995, VEPC recommended a stabilization reserve be established incrementally so that by Year 2000 it reaches and is maintained at 5% of the combined fund budget.	budget.		fund budget.	
14.	Examine ways to reduce the burden of machinery and equipment tax (M&E tax) on businesses.	1995: VEPC recommended elimination of the M&E tax on purchases of <i>new</i> machinery and equipment.	<ul style="list-style-type: none"> Legislature re-considers bill eliminating the M&E tax on <i>new</i> purchases as of July 1, 1997, in conjunction with comprehensive tax reform. 	<ul style="list-style-type: none"> If approved by 1997 Legislature, new purchases are not subject to M&E tax. 	<ul style="list-style-type: none"> New purchases are not subject to M&E tax. 	3(a) 41 42 44 57
			<ul style="list-style-type: none"> Municipalities develop a plan for phasing out M&E tax on existing equipment including: (1) method of calculation, and (2) phase-out schedule. 	<ul style="list-style-type: none"> Municipalities deliver phase-out plan to Property Tax Division for review and comments. 	<ul style="list-style-type: none"> Phase-out of M&E tax on existing equipment completed. 	
15.	Consider industry-specific tax incentives that are based on incremental growth.	In 1995, VEPC recommended, and the Legislature adopted, a tax credit for an <i>increase</i> in the activity of certain financial services companies.	<ul style="list-style-type: none"> Legislature passes a sales tax exemption for materials used in constructing or renovating "industrial facilities," as defined by VEDA, for projects totaling at least \$1.0 million. 			3(g) 47
			<ul style="list-style-type: none"> Look at other industries that should be targeted for incentives. 	<ul style="list-style-type: none"> Develop legislation that provides tax incentives for targeted industries. 		
16.	Continue steps to minimize workers compensation premium rates,	VPEP and VEPC supported steps to reduce workers comp premiums since 1993. In 1995, VEPC suggested the largest gains could be	<ul style="list-style-type: none"> Banking, Insurance, & Securities (BI&S) performs an analysis of rates by industry since 1990, and how they compare regionally and 	<ul style="list-style-type: none"> L&I and BI&S develop benchmarks for workers compensation rates for industries targeted in 1997 BI&S report. 	<ul style="list-style-type: none"> BI&S provides annual data and summary report on the rates for the targeted industries. 	3(c) 21(c) 29 31 33

<i>Recommendations</i>		<i>Recent History</i>	<i>Action Steps During 1997</i>	<i>Action Steps During 1998</i>	<i>Action Steps 1999 to 2006</i>	<i>Indicators (1)</i>
	particularly in activities that are most negatively impacted by high rates, such as logging and quarrying.	made in certain industries such as logging, whose rates might benefit from prescribed safety training programs.	nationally, and makes recommendations on how to reduce rates for industries above the norms.	BI&S report.		33 34
17.	Adopt accrual accounting for the state's balance sheet reported in the Comprehensive Annual Financial Report, in accordance with Generally Accepted Accounting Principles and Government Accounting Standards Board requirements. Generate and report a General Fixed Assets Account Group in accordance with GAAP requirements.	1994 and 1995: VEPC recommended conversion to GAAP reporting. 1995: VEPC recommended a fixed asset inventory.	<ul style="list-style-type: none"> • DFM reports the state's governmental funds in accordance with GAAP requirements in its June 30, 1996 Comprehensive Annual Financial Report. • DFM includes in the design of the state's new Financial Management Information System a provision to inventory the state's general fixed assets. 	<ul style="list-style-type: none"> • A system is developed for generating a General Fixed Assets Account Group to be reported in the state's Comprehensive Annual Financial Report. 	<ul style="list-style-type: none"> • DFM includes a General Fixed Assets Account Group in the state's Comprehensive Annual Financial Report. 	55 56

(1) See Part III, Vermont Indicators, for measures most directly related to these recommendations.

Policy Area Three

Coordinated and Cost-Effective Economic Assistance and Community Development Programs

Introduction

Vermont continues to develop a *decentralized* delivery system for its network of economic assistance and community development programs. In Vermont, services provided by regions, cities, and towns have more autonomy than they do in many other parts of the country. The benefit of decentralization is that decisions about service are made closer to where they are delivered. The drawback can be a duplication and lack of coordination of those services.

This delivery system is organized around developing three essential components supporting Vermont's economy:

- (1) the workforce,
- (2) capital and financial resources, and
- (3) infrastructure, such as roads and telecommunications.

Our recommendations aim to strengthen these three components by placing emphasis on programs that provide the greatest benefit to Vermont's businesses and workers. Quality jobs are the key objective for this policy area and the programs described in this report should all support that objective.

***Quality jobs are the key
objective of this policy area
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1996 Recommendations

Priority #8

Recommendation #18: An Enhanced Decentralized System of Economic Development Programs

Many other states are moving towards a system that mirrors Vermont's decentralized network of economic development programs and services. In Vermont, the past success of this system has varied from region to region, depending somewhat on the degree of cooperation among the various regional planning commissions (RPCs), regional development corporations (RDCs), and local and regional chambers of commerce.

State support for regional assistance programs delivered by the RDCs, RPCs, and chambers, has declined from \$3.8 million in FY 1990 to \$1.7 million for FY 1997. The Council supports the Agency of Commerce and Community Development's (ACCD) proposal for a 20 percent increase of \$313,000 in FY 1998 for regional assistance in order to restore funding to FY 1995 levels.

As a condition for regional funding, last year all 12 regions submitted joint regional block grant plans to the Secretary of ACCD. These plans addressed such issues as RPCs placing a greater emphasis on economic development in their planning process as well as how the RPCs, RDCs, and the chambers of commerce were working together to execute their regional plans. We see regional plans as an important step towards greater efficiency and effectiveness within the regional delivery system and encourage everything from shared data bases to eventual co-location of offices.

We know that funding is tight. However, the Council does not see that cutting back on either economic assistance and community development programs, which infuse leveraged funding into the economy, or regional planning efforts, which promote an efficient use of resources, is a good choice.

There is a significant amount of funds that flow into the state through various state, federal, and non-profit economic assistance and

community development programs. The matrix of sources and programs include the USDA Small Business Administration, USDA Rural Development, the Vermont Housing & Conservation Board (VHCB), the Vermont Economic Development Authority (VEDA), the Community Development Block Grant Program (CDBG), which is funded by HUD but administered by DHCA, the Small Business Development Center (SBDC), and various community action groups and affordable housing organizations. The people responsible for these programs in Vermont met in October at the two-day Rural Development Summit to see how their programs can be better coordinated. One outcome from the Summit was a commitment to developing a common loan and grant application so that businesses, towns, and organizations that qualify for these programs can minimize their paperwork. The Council urges follow-up to the Summit, resulting in the common application as well as other joint projects.

An innovative concept developed by the Vermont Law School this year is the Small Business Assistance Legal Clinic. The Clinic will be coordinated by a small staff and draw from the student body at the Law School to assist new and emerging businesses with their legal and permitting questions. The Clinic will coordinate its services with the SBDC. We applaud this development and support efforts to raise funds and begin operations in the next year.

Geographic information systems (GIS) is a powerful computer-based tool that enhances planning efforts. The Council supports the continued development of a statewide comprehensive system of aerial photos and data. The effort to build such a system, mandated by statute (10 VSA Chapter 8), is led by the Vermont Center for Geographic Information, Inc. GIS provides local officials, regional planners, and developers with tools to guide economic development into the most suitable areas. This reduces the threat of suburban sprawl and helps to assure that Vermont's landscape retains its essential rural character.

Priority #9

Recommendation #19: Strengthen Vermont's Downtowns

Part of the unique appeal and fabric of Vermont is its self-contained villages and towns and downtown centers surrounded by a "working landscape." Downtowns are a natural location for some types of small businesses and contain numerous historic structures, which are a natural attraction for tourists. They provide a central base for the arts, places of worship, town gatherings, and community celebrations. Perhaps most important, many Vermonters reside in our downtowns.

For these reasons, the Agency of Commerce and Community Development (ACCD) will propose the Downtown Community Development Act of 1997. This Act aims to target public investment in infrastructure, housing, historic preservation, transportation, business financing, CDBG funding, and regulatory assistance to encourage both the preservation and greater use of our downtown districts. The Act supports the state's Growth Center Policy, which, along with other objectives, seeks to concentrate economic growth and development while maintaining traditional land uses.

As proposed by ACCD, pilot municipalities would develop a Community Reinvestment Agreement, involving a host of activities from creating a parking plan to addressing the marketing and promotional needs of their downtowns. A multi-agency team would review and select applications and coordinate the implementation. ACCD would report on the success of the program within two years and recommend whether to expand, modify, or discontinue the program. The estimated cost in FY 1998 of implementing this plan is \$100,000 and we recommend that ACCD be appropriated these funds to initiate the program.

Targeting downtowns does not suggest that state support for other areas of development, such as industrial parks owned and operated by the RDCs, or smaller village centers without downtowns, should be ignored. There must be a variety of growth opportunities in our state and we see downtowns as one of them.

Our interest in strengthening downtowns goes beyond support for ACCD's proposed legislation. The Agency's Department of Housing and Community Affairs has substantial, ongoing programs to support downtown development. One of these programs is affordable housing. The majority of affordable housing projects in Vermont involve rehabilitation of existing buildings in or near town and city centers. These projects revitalize downtown areas and maintain the physical characteristics which attract visitors. The improvements often lead to upgrades of surrounding and adjacent properties and the reemergence of storefronts. Housing funds, many of which are provided through Federal grants, infuse significant dollars into the economy. According to the U.S. Department of Commerce, 35 jobs are created for every \$1.0 million in housing construction. Appropriations to the Vermont Housing and Conservation Board help to leverage these Federal dollars.

Recommendation #20: SBDC Staffing

The Small Business Development Center (SBDC) provides business counseling services to start-up and smaller businesses. These services include information on financing alternatives and permit requirements and guidance in developing business plans and loan and loan applications. SBDC counselors are housed in the offices of regional development corporations. Currently, there are nine full-time staff with five people located in the regions and four at the SBDC central office at Vermont Technical College in Randolph.

We consistently hear that the SBDC is an effective business advocate.

We consistently hear that the SBDC is an effective business advocate. In 1996, the SBDC counseled 1,216 clients with most of these businesses involved in retail and wholesale trade (362 clients), other services (507 clients), and manufacturing (165 clients). In light of their success, we asked the SBDC for their future staffing needs, based on market demand. The SBDC Coordinating Council developed a staffing matrix through 1999 and we recommend that funding to go

towards completing that matrix be appropriated. For 1997, \$100,000 would be needed from all sources; in 1998, an additional \$175,000; for 1999, the projected total need would be \$75,000. The SBDC plans to add specialists only to the extent that market demand warrants it.

Recommendation #21: Preserve VEDA's Role as an Economic Development Tool

The 1995 legislature charged the Council with finding a "sustainable revenue source" to fund VEDA. One reason was a concern that General Fund appropriations for VEDA might be in jeopardy as state spending tightened. A second objective was to find a source that did not impact Vermont's bond rating.

A task force that included VEDA, the State Treasurer's Office, the Vermont Business Roundtable, the Vermont Businesses for Social Responsibility, the Vermont Chamber of Commerce, regional development corporations, the Associated Industries of Vermont and the Vermont Bankers Association developed a proposal that was passed by the 1996 Legislature and involves securitization of the existing VEDA loan portfolio.

This mechanism is based on a two-step process: First, bonds are issued backed by both the "moral obligation" (but not the full faith and credit) of the state and a part of the VEDA loan portfolio to create a cash reserve. Second, the cash reserve is leveraged to support the annual issuance of bonds backed by the reserve and VEDA's portfolio, but not by either the moral obligation or the guarantee of the state. The amount that can be raised through this mechanism is expected to be about \$10 million a year, which will meet VEDA's historical loan demand. While this mechanism will ensure an ongoing funding source, it also raised rates charged borrowers to 7.25 percent for tax-exempt loans (*i.e.*, to manufacturers of tangible personal property) and 8.5 percent for other purposes. These rates compare to the previous 5.5 percent.

The regional development corporations (RDCs) have relied on VEDA funding as an incentive to prospective and expanding

businesses and are concerned that this rise in rates is dampening economic development efforts. To mitigate this problem, the RDCs have suggested exploring alternatives that would preserve low-interest rates on certain types of VEDA loans. This would probably mean charging some borrowers different rates (currently there is one set rate) and require an additional source of funds. Bonding and an interest-rate buy down are two methods that have been discussed.

We agree with the RDCs that incentive financing is important for economic development and we would like to see proposals developed *that would supplement, not displace*, the securitization funding mechanism explained above. We suggest the RDC's, VEDA, and ACCD work together to develop these proposals.

We agree with the RDCs that incentive financing is important for economic development and we would like to see proposals developed that would supplement, not displace, the VEDA securitization funding mechanism.

Recommendation #22: Implementing AAPs and BMPs

The Council is concerned that the cost to farmers of building manure storage facilities to implement Acceptable Agricultural Practices (AAPs) and comply with Best Management Practices Regulations (BMPs) is far beyond what most farmers can absorb. These facilities will minimize run-off of nutrients into rivers and lakes. Good water quality is an important statewide objective and we support the Department of Agriculture's request to the Legislature for increased annual funding of \$750,000 (\$350,000 was appropriated in the FY 1997 capital budget) for the state's share in BMP implementation. These are leveraged funds, with the Federal government picking up 50 percent of the cost, the state 35 percent, and farmers 15 percent. To be eligible for state aid, farms must first qualify under the Federal program. One Federal requirement is that a recipient farmer has been in business for at least five years.

In selecting qualified applicants and allocating funds, we suggest that the Department of Agriculture perform a farm-based analysis, a procedure used elsewhere in the nation. This type of analysis favors farms that are the most likely to stay in business.

Recommendation #23: Determine Agricultural Lending Policy

Demand for agricultural loans, including the debt stabilization program (DSP), has been met through a combination of Vermont banks and federal guarantees. With these guarantees and the backing of the state treasury, VEDA has been able to borrow \$10 million from local Vermont banks and use these funds to make loans that are 90% guaranteed by the Federal government. The guaranteed portion of the loans has then been sold to the secondary market, returning that cash to VEDA for re-lending. Vermont's banks have agreed to a moratorium on principal repayment through June, 1998.

Concerns about the expiration of this moratorium, in addition to the uncertain future of some federal programs, led to VEDA convening a group in September to examine the longer-term financing requirements of Vermont agriculture. This group includes representatives from the Departments of Agriculture and Finance & Management, the State Treasurer's office, the Vermont Legislature, the Vermont Bankers' Association, the USDA Farm Service Agency, Farm Credit, Vermont's Congressional delegation, UVM Women's Agricultural Network, VEDA, and VEPC. This group should continue its work in 1997 in order to avoid a crisis in agricultural lending in 1998.

Recommendation # 24: Strengthen Connections Between Vermont and the International Community

Vermont is connected to international markets through export trade, tourism, and business investment and relocations. Export trade is a rapidly growing segment of Vermont's economy. In 1995, for instance, there was *an increase in export trade of 16 percent over 1994*. While much of this export trade is comprised of industrial machinery and electronic equipment, there is significant potential for higher-priced, value-added products, backed by Vermont's reputation for quality workmanship processing standards.

The World Trade Office (WTO), established in 1995, is concerned primarily with the export of products and services. The Department of Economic Development's International Trade Program (DED-ITP), which works closely with the WTO, and is focused on the expansion in and relocation of foreign-based firms to Vermont. Export trade and international recruitment are closely related functions and we recommend a full merger of the WTO and DED-ITP operations, leading to the development of a comprehensive strategy for export trade and relocations. We further recommend that \$100,000 be contributed to the WTO by the state to further this international trade effort. We also suggest that the WTO track vital indicators of international trade and issue periodic updates of their strategic plan.

In addition to the WTO and the DED-ITP, various trade groups are playing an active role in stimulating export trade. For example, the Vermont Chamber of Commerce has participated in trade shows in Taiwan and is exploring a satellite office there.

As with product export, international tourism presents great opportunity. The Department of Tourism and Marketing (VDTM)

Export trade is a rapidly growing segment of Vermont's economy. In 1995, for instance, there was an increase in export trade of 16 percent over 1994.

promotes Vermont as a destination for international travelers (see below) and our colleges and universities attract students from all over the world. The Vermont Higher Education Council (VHEC) is working with the WTO to develop a resource for Vermont businesses on international trade. An international recruitment committee of the Consortium of Vermont Colleges was formed in 1996 to develop strategies for recruiting international students to Vermont's colleges and universities through alumni networks.

Recommendation #25: Expand Travel & Tourism

Tourism and recreation accounts for about 15 percent of Vermont's gross state product, with about eight percent of this derived from visitors. It is a growth industry with consistent gains in both the number of visitors and related tax receipts. The Council is particularly impressed with the development of "cultural heritage tourism" through which domestic and international visitors are attracted to Vermont's traditional and historic culture, landscapes, and buildings. Eco-tourism is another growth area. Outdoor recreation continues to be a significant contributor to our economy and policies that support open space and public use of private lands benefit this sector.

The Vermont Department of Tourism and Marketing (VDTM) states in its 1997 Tourism Marketing Plan that the *foundation* of Vermont's tourism industry is domestic travelers. Long weekends and last-minute getaways still comprise a majority of our tourism trade. Thus, we support VDTM's strategy to preserve and expand that market while it explores new avenues.

In 1996, the Cultural Heritage Tourism Task Force issued 10 recommendations. These included creating an advisory council, contracting for a full-time Cultural Heritage Specialist, and development of a marketing plan. Other recommendations focused on developing partnerships, enhancing signage, and education. We heartily support this work.

International trade is one of VDTM's growth targets. In particular, they are looking to strengthen contacts with tour operators and international travel agents, emphasizing both the general but

unique aspects of Vermont, such as its architecture, history, and small town environment, as well as specific areas of interest, such as farming.

The Council feels that ongoing promotion of Vermont is a good investment. In 1994, the Legislature added one-half of a percent to the rooms and meals tax (up to \$2.0 million) to fund travel and tourism promotion. This formula was not funded last year and we recommend that that funding be restored for FY 1998.

Ongoing promotion of Vermont is a good investment. We recommend that that funding for travel and tourism through the rooms and meals tax formula be restored.

Last year, the Legislature authorized creation of the Vermont Film Corporation. It was funded, in part, through VDTM. This organization continues to lay the groundwork for developing interest by film companies in Vermont and deserves continued financial support in 1997.

Recommendation #26: Industry-Based Marketing Efforts

We see a great opportunity for various industry representatives to work together and assess opportunities for new markets and techniques. State government cannot provide all the resources needed to develop industry initiatives, but it can serve as a catalyst. For example, during 1996, the Vermont Wood Manufacturers Association (VWMA) established a memorandum of understanding with the Departments of Economic Development and Forest & Parks to coordinate their efforts with the state's. Also during 1996, the Forest Resources Advisory Council's (FRAC) Rural Economic Development Work Group (REDWG) examined issues facing sawmills and wood products manufacturers. Workers' compensation, marketing, demand for raw log exports, financing, regulation, and taxation were considered. Presently, REDWG, in conjunction with FRAC, is developing recommendations for the Legislature. We recommend that

REDWG and VWMA develop a set of joint recommendations that address the most critical impediments to expansion of this crucial resource-based industry. We urge other industry groups to develop similar partnerships.

Recommendation #27: Coordinated State Marketing Programs

In 1996, the Legislature charged VDTM with coordination of state government marketing programs. VDTM is to "be responsible for the promotion of Vermont's goods and services as well as the promotion of Vermont's travel, recreation and cultural attractions..." and calls for each state department engaged in marketing activities to

submit a marketing plan to VDTM for inclusion in a June, 1997 coordinated plan. We fully support this concept and urge all state entities to comply with the statute and assist the Commissioner of VDTM in bringing together a collection of marketing efforts, some of which have been operating on their own for many years. The fact is, there is a limited number of dollars for state marketing. The spirit of the

The fact is, there is a limited number of dollars for state marketing we see a single coordinated plan as a constructive step toward making best use of those dollars.

1996 legislation was to make best use of those dollars and we see a single coordinated plan as a constructive step.

Recommendation #28: Vermont Training Program Support

The Vermont Training Program (VTP) provides training dollars for manufacturers looking to create and retain good-paying jobs. By state statute, jobs created or retained through VTP dollars must be twice minimum wage. This is a win-win program. In FY 1996, there were 84 companies and 626 employees served, at a cost of \$465,000. Documented demand for FY 1997 was \$1.2 million with an estimated creation of 1,955 jobs at this level of funding.

There are two ways the Legislature can support VTP. One is funding. VTP's FY 1997 budget is \$275,000, a reduction from last year and significantly less than the \$1.2 million demand for its programs. This means jobs that would have otherwise been created, will not be. Thus, we suggest providing funding of \$1.2 million for VTP in FY 1998. The second measure of support would be to revise the statute so that jobs created/retained must be 1.5 times minimum wage for new jobs and 1.75 times minimum wage for crossover or upgrade training. This change is precipitated by an increase in the minimum wage, which will go to \$5.25 on July 1, 1997.

Recommendation #29: Education as a Growth Industry

Vermont attracts a significant number of out-of-state students to its diverse array of public and private colleges and universities. Yet there is not an integrated plan developed by these institutions to collectively market themselves or to ensure that programs do not unnecessarily overlap. The Council sees significant growth potential

for this sector and recommends that representatives from UVM, the Vermont State Colleges, Vermont Student Assistance Corporation, and the Association of Vermont Independent Colleges develop a joint strategic plan for the expansion of tuition-based education in Vermont.

The Council sees significant growth potential (for higher education) and recommends a joint strategic plan for the expansion of tuition-based education in Vermont.

Growth in higher education is also supported by in-state attendance at Vermont institutions. Latest figures show that 55 percent of those attending Vermont's

colleges and universities are Vermont residents. As part of a long-standing high-tuition, high-aid public funding policy, Vermont has a relatively high support of need-based student financial assistance. The aim of this policy is to assist Vermonters to attend programs suitable to their needs, regardless of whether these programs are found at public or private institutions.

<i>Recommendations</i>	<i>Recent History</i>	<i>Action Steps During 1997</i>	<i>Action Steps During 1998</i>	<i>Action Steps 1999 to 2006</i>	<i>Indicators (1)</i>
<i>Policy Area Three: Coordinated and Cost-Effective Economic Assistance and Community Development Programs</i>					
18. <u>Priority #8</u> Enhance our decentralized system of economic development programs.	1996: (1) RPCs, RDCs, and chambers of commerce in all 12 regions submitted regional block grant plans to secure ACCD funding. These plans entailed timelines for common service goals and for integration of some administrative functions. (2) Rural Development Summit held in October to consider how to better coordinate and make more effective use of Federal and State economic and community development funds. (3) Task Force developed mission statement and structure for the Small Business Assistance Legal Clinic at Vermont Law School and sought funding.	<ul style="list-style-type: none"> • RPCs, RDCs, and chambers of commerce in each region submit updated regional block grant plan to ACCD with an evaluation of how common goals and integration is proceeding. Performance standards developed/refined. • Legislature increases funding by \$313,000 over FY 1997 appropriation for economic development and planning programs through the regional block grants administered by ACCD. • Representatives from VEDA, the CDBG Program, DED, SBA, and USDA Rural Development draw up parameters for a common application process, such as is used in several other states. • Establish the Small Business Assistance Legal Clinic at Vermont Law School (VLS). • VCGI formalizes a public-private partnership for statewide digital orthophotographs and secures funding to continue GIS data development. 	<ul style="list-style-type: none"> • Updated regional block grant plans submitted to ACCD with an evaluation of how common goals and integration is proceeding. These plans should include measures of performance standards. • Legislature continues to fund regional economic development and planning programs at a level that allows them to define and meet regional service needs. • Common application process for Federal and State loans and grants is released for public comment. Proposed process is refined subsequent to hearings. • Small Business Legal clinic at VLS expanded. • Legislature funds GIS infrastructure development. 	<ul style="list-style-type: none"> • ACCD provides regional block grant funding based on the compliance with regional plans, including measures of performance standards. • Legislature continues to fund regional economic development and planning programs at a level that allows them to define and meet regional service needs. • Implement a common application process for Federal and State loans and grants. • Longer-term funding developed for Small Business Legal Clinic at VLS. • Complete Vermont's five-layer GIS-based data infrastructure. 	58 59 60 61

<i>Recommendations</i>		<i>Recent History</i>	<i>Action Steps During 1997</i>	<i>Action Steps During 1998</i>	<i>Action Steps 1999 to 2006</i>	<i>Indicators (1)</i>
19.	<u>Priority #9</u> Strengthen the viability of Vermont's downtowns (the traditional central business and cultural hub of towns and cities).	<p>1993-1995: VPEP and VEPC supported the Growth Center Program and tax and regulatory incentives to use existing factories and buildings in Growth Centers. DHCA refined CDBG procedures as permitted by HUD.</p> <p>1996: Elements of VEPC's 1994 and 1995 recommendation to make use of underutilized and abandoned buildings passed without providing financial incentives.</p> <p>Division of Historic Preservation (DHP) conducting an economic impact study of Vermont's downtowns with report due February, 1997.</p>	<ul style="list-style-type: none"> Legislature passes ACCD's Downtown Community Development Act of 1997. Municipalities selected for pilot programs involving financial incentives and technical assistance from various state entities. DHP issues report on economic impact of Vermont's downtowns and works to integrate historic preservation into CDBG and initiatives through L&I and AOT. 	<ul style="list-style-type: none"> Implementation of Downtown Community Development Act in the pilot municipalities. DHP selects and tracks appropriate measures of the economic impact of historic preservation. 	<ul style="list-style-type: none"> 1999: ACCD reports to the Legislature regarding success of incentives under Downtown Community Development Act and recommends whether to expand, modify, or discontinue the program. DHP tracks indicators showing the economic impact of historic preservation. Whether or not full Downtown Community Development Program is continued, incentives that worked in the pilot programs expanded to cover all eligible municipalities. 	58 21(d) 35
20.	Evaluate the need for a full-time or part-time SBDC area business specialist in each RDC.	<p>1996: SBDC Director, with input from regions and the SBDC Coordinating Council prepared a staffing matrix for 1997, 1998, & 1999, detailing the projected needs, by region.</p>	<ul style="list-style-type: none"> As prescribed by SBDC staffing matrix, add counseling resources in Franklin County and Central Vermont RDCs and part-time staffing in Addison County and Brattleboro RDCs at an incremental cost of \$100,000, assuming market demand for these services. 	<ul style="list-style-type: none"> As prescribed by SBDC staffing matrix and subject to market needs, upgrade part-time Specialists to Counselors in Addison County and Brattleboro to full time and add a part-time specialist in Bennington at an incremental cost of \$175,000. 	<ul style="list-style-type: none"> 1999: As prescribed by SBDC staffing matrix and subject to market needs, upgrade part-time specialists to Counselors in Bennington and Lamoille Counties and add a part-time specialist in Lake Champlain region at an incremental cost of \$75,000. 	59
21.	Preserve VEDA's role as an economic development tool for the regional development corporations.	<p>1996: Legislature authorized VEDA to sell bonds backed by the VEDA loan portfolio to fund VEDA at about \$10 million per year on a sustaining basis.</p>	<ul style="list-style-type: none"> RDCs, VEDA, and ACCD develop proposals for alternatives for funding a category of low-interest VEDA loans, available through the RDCs, to supplement VEDA's other existing loan programs. 	<ul style="list-style-type: none"> Performance of special category of low-interest loans assessed and program refunded as warranted. 	<ul style="list-style-type: none"> Special category of low-interest loans refunded as warranted. 	61

<i>Recommendations</i>		<i>Recent History</i>	<i>Action Steps During 1997</i>	<i>Action Steps During 1998</i>	<i>Action Steps 1999 to 2006</i>	<i>Indicators (1)</i>
22.	Assist farmers in implementing Acceptable Agricultural Practice Regulations (AAPs) and Best Management Practices (BMPs).	1995 & 1996: Legislature authorized \$350,000 each year to partially fund the construction of manure storage facilities.	<ul style="list-style-type: none"> Department of Agriculture provides technical assistance and compliance monitoring for AAPs. 	<ul style="list-style-type: none"> Department of Agriculture provides technical assistance and compliance monitoring for AAPs. 	<ul style="list-style-type: none"> Department of Agriculture provides technical assistance and compliance monitoring for AAPs. 	3(c)
			<ul style="list-style-type: none"> Legislature appropriates \$750,000 as recommended by the Commissioner of Agriculture for state's cost sharing for BMP implementation. VDFM provides technical assistance. Farm-based allocation standards are employed in reviewing applicants. 	<ul style="list-style-type: none"> Legislature appropriates \$750,000 for BMP implementation. Vermont Department of Agriculture provides technical assistance. Farm-based allocation standards are employed in reviewing applicants. 	<ul style="list-style-type: none"> Legislature appropriates \$750,000 for BMP implementation. Vermont Department of Agriculture provides technical assistance. Farm-based allocation standards are employed in reviewing applicants. 	19 21(b) 23 24 25 26 27
23.	Determine appropriate state policy towards agricultural lending, fund requirements, and program needs.	1996: VEDA convened a study group that looked at the history of the Debt Stabilization Program and issues surrounding its funding limitations as of June 30, 1998.	<ul style="list-style-type: none"> VEDA-convened group continues to meet and drafts policy recommendations for the 1998 Legislature that clearly address fund requirements and program needs for the Debt Stabilization Program (DSP). 	<ul style="list-style-type: none"> Plans for refunding the Debt Stabilization Program are in place as of June 30, 1998. 	<ul style="list-style-type: none"> VEDA monitors effects of new DSP programs on agriculture lending and includes data in its annual report. 	3(c) 22 23 24 25 26 27
24.	Strengthen the connection between Vermont and the international community.	1995: World Trade Office (WTO) established in October.	<ul style="list-style-type: none"> WTO and DED-ITP operations are merged (Merged WTO) and appropriated \$100,000 by the state. 	<ul style="list-style-type: none"> Merged WTO issues report identifying export trade activity by sector, and export opportunities, and strategies. 	<ul style="list-style-type: none"> WTO issues annual reports with updates on export opportunities and strategies to realize those opportunities. 	3 4 5 24
		1996: (1) State provided \$100,000 of funding for WTO. (2) DED's International Trade Program (DED-ITP) Director made initial contacts and developed expansion and relocation prospects.	<ul style="list-style-type: none"> Merged WTO publishes report on comprehensive export trade strategy and tracks the number of export businesses, jobs, and volume of international trade. VHEC and WTO create academic programs to assist export trade development. Consortium of VT Colleges develops strategies to recruit international students to Vermont institutions. 	<ul style="list-style-type: none"> Merged WTO tracks the number of businesses, jobs, and business volume of international businesses attracted to Vermont. Selected Vermont institutions offer courses on export trade development, and the Consortium of Vermont Colleges works to recruit international students. 	<ul style="list-style-type: none"> DED-ITP tracks the number of businesses, jobs, and business volume of international businesses attracted to Vermont. Selected Vermont institutions offer courses on export trade development, and the Consortium of Vermont Colleges works to recruit international students. 	35 36 47 68 69

<i>Recommendations</i>		<i>Recent History</i>	<i>Action Steps During 1997</i>	<i>Action Steps During 1998</i>	<i>Action Steps 1999 to 2006</i>	<i>Indicators (1)</i>
25.	Target travel & tourism as a critical industry, including taking greater advantage of the opportunities of international and heritage tourism.	<p>1994: Special funding formula for travel & tourism (1/2% addition to rooms & meals tax) passed by Legislature. The formula was not funded in FY 97.</p> <p>1996: (1) Department of Tourism and Marketing (VDTM) issued a comprehensive Tourism Marketing Plan, including sections on international travel and trade.</p> <p>(2) Cultural Heritage Tourism Task Force issued a position paper in June. Coordinator being hired to implement the recommendations.</p> <p>(3) Vermont Film Corporation created and was funded, in part, by VDTM to promote movie and TV productions in Vermont.</p>	<ul style="list-style-type: none"> Restore funding formula for travel and tourism as developed in 1994. 	<ul style="list-style-type: none"> Continue to fully fund the travel and tourism formula. 	<ul style="list-style-type: none"> Continue to fully fund the travel and tourism formula. 	3(e)
			<ul style="list-style-type: none"> VDTM and Cultural Heritage Tourism Task Force implement the 1996 Task Force recommendations. 	<ul style="list-style-type: none"> VDTM issues report summarizing progress made on Cultural Heritage Task Force recommendations and refines success indicators. 	<ul style="list-style-type: none"> VDTM tracks success indicators related to Cultural Tourism programs. 	3(h)
			<ul style="list-style-type: none"> VDTM follows-up on Marketing Plan strategies to expand international tourism by targeting the most effective marketing efforts and broadening relationships with tour operators and agents. 	<ul style="list-style-type: none"> VDTM fine tunes international Marketing Plan strategies and tracks key indicators measuring economic benefit of international travel. 	<ul style="list-style-type: none"> VDTM fine tunes international Marketing Plan strategies and tracks key indicators measuring economic benefit of international travel. 	4
26.	Encourage various industry groups to create collective strategies for developing their markets.	<p>1996:</p> <p>(1) FRAC Rural Economic Development Work Group (REDWG) explored strategies for developing forestry and wood products industries in Vermont.</p> <p>(2) The VT Wood Manufacturers' Association established and an MOU developed between the DFPR and DED.</p>	<ul style="list-style-type: none"> Provide continued seed funding for the Vermont Film Corporation. 	<ul style="list-style-type: none"> Provide state support for the Vermont Film Corporation as warranted. 	<ul style="list-style-type: none"> Provide state support for the Vermont Film Corporation as warranted. 	15
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26.	Encourage various industry groups to create collective strategies for developing their markets.	<p>1996:</p> <p>(1) FRAC Rural Economic Development Work Group (REDWG) explored strategies for developing forestry and wood products industries in Vermont.</p> <p>(2) The VT Wood Manufacturers' Association established and an MOU developed between the DFPR and DED.</p>	<ul style="list-style-type: none"> REDWG, in partnership with the Vermont Wood Manufacturers' Association (VWMA), develops specific strategies to support and promote manufacturing of wood products in Vermont. Strategies should address financing, regulatory, marketing, and technical issues. 	<ul style="list-style-type: none"> REDWG/VWMA strategies implemented by wood products industry with support from VDFPR, DED, and VDTM. 		21(c)
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26.	Encourage various industry groups to create collective strategies for developing their markets.	<p>1996:</p> <p>(1) FRAC Rural Economic Development Work Group (REDWG) explored strategies for developing forestry and wood products industries in Vermont.</p> <p>(2) The VT Wood Manufacturers' Association established and an MOU developed between the DFPR and DED.</p>				32
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26.	Encourage various industry groups to create collective strategies for developing their markets.	<p>1996:</p> <p>(1) FRAC Rural Economic Development Work Group (REDWG) explored strategies for developing forestry and wood products industries in Vermont.</p> <p>(2) The VT Wood Manufacturers' Association established and an MOU developed between the DFPR and DED.</p>				41
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26.	Encourage various industry groups to create collective strategies for developing their markets.	<p>1996:</p> <p>(1) FRAC Rural Economic Development Work Group (REDWG) explored strategies for developing forestry and wood products industries in Vermont.</p> <p>(2) The VT Wood Manufacturers' Association established and an MOU developed between the DFPR and DED.</p>				79

<i>Recommendations</i>		<i>Recent History</i>	<i>Action Steps During 1997</i>	<i>Action Steps During 1998</i>	<i>Action Steps 1999 to 2006</i>	<i>Indicators (1)</i>
27.	Support the development of coordinated state marketing programs.	<p>1996:</p> <p>(1) Department of Tourism and Marketing created within the Agency of Commerce and Community Development.</p> <p>(2) Market Vermont Roundtable expanded focus of <i>Vermont Makes it Special Program</i> to include wood and stone product manufacturers.</p>	<ul style="list-style-type: none"> Marketing Roundtable develops a coordinated state marketing plan based on elements submitted to the Commissioner of VDTM by Roundtable members. These elements should conform to format prescribed by the Commissioner of VDTM. 	<ul style="list-style-type: none"> Marketing Roundtable works to implement coordinated state marketing plan with members sharing the cost of implementation. 	<ul style="list-style-type: none"> Marketing Roundtable revises state marketing plan as needed. 	<p>3(e)</p> <p>3(h)</p> <p>5</p> <p>35</p> <p>36</p> <p>37</p> <p>38</p> <p>39</p> <p>40</p> <p>55(c)</p> <p>73</p>
28.	Support the Vermont Training Program.	<p>FY 1996: The Vermont Training Program (VTP) completed 30 training contracts serving 472 individuals and 54 ISO-9000 training programs on a \$465,000 budget. Projected demand for FY 1997 programs estimated at \$1.2 million and funded at \$275,000.</p>	<ul style="list-style-type: none"> Review the assumptions used to derive FY 1997 demand and if projections of economic benefit warrant it, consider funding program up to \$1.2 million in FY 1998. 	<ul style="list-style-type: none"> Review number of individuals served and total economic benefit of Vermont Training Program and fund as warranted. 	<ul style="list-style-type: none"> Review number of individuals served and total economic benefit of Vermont Training Program and fund as warranted. 	<p>3(a)</p> <p>4</p> <p>6</p> <p>41</p> <p>42</p> <p>44</p>
29.	Promote education as a growth industry.	<p>1995: VEPC recommended that UVM, VSC, and the Association of Vermont Independent Colleges develop a growth strategy including the needs for resources, programs and infrastructure.</p>	<ul style="list-style-type: none"> VEPC carries over its 1995 recommendation for development of a strategic plan for expansion of tuition-based education, with a focus on post-secondary opportunities. Group should include the Vermont Student Assistance Corporation. 	<ul style="list-style-type: none"> Funding and incentives to support expansion of Vermont's tuition-based educational institutions based on the merits of the joint recommendations made by UVM, VSC, VSAC, and AVIC. 	<ul style="list-style-type: none"> Continued funding and incentives to support expansion of Vermont's tuition-based educational institutions based on the demonstrated economic impact of enrollment increases. 	<p>62</p> <p>65</p> <p>66</p> <p>67</p> <p>78</p> <p>79</p>

(1) See Part III, Vermont Indicators, for measures most directly related to these recommendations.

Policy Area Four

A World-Class Workforce

Introduction

Education is headline news. Whether it is post-secondary workforce training, property tax reform, or the quality of K-12 schooling, Vermonters are keenly aware that education issues impact their communities and businesses. Without a workforce with skills to meet the needs of employers in the 21st century, economic development in the state is problematic.

Vermonters are keenly aware that education issues impact their communities and businesses.

Collaboration With and Role of the Human Resources Investment Council

VEPC's role in developing recommendations for education and workforce training is directly linked to the Human Resources Investment Council (HRIC). In simplistic terms, VEPC is charged with developing a *plan* to stimulate the creation of jobs, while the HRIC is charged with developing a *system* that will create the workforce for those jobs. The 16-member Council is co-chaired by the Commissioner of Employment & Training and the Chancellor of Vermont State Colleges. Other members include an appointee from the House and Senate, the Secretaries of Human Services and Commerce & Community Development, the Commissioners of Labor & Industry and Education, and Governor appointees from business, employee organizations, community-based organizations, and the Governor's office. The HRIC has proposed 59 action steps to move the workforce education and training system from a design to implementation stage. It is also developing *Accountability Indicators*, intended to assess how the system is working. Data is being gathered for 22 indicators (see Appendix E) to establish baseline information that will be updated annually.

Workforce Investment Boards

One of the HRIC's primary activities is the authorization and coordination of Regional Workforce Investment Boards (WIBs). WIBs oversee the ongoing collaboration and long-range planning of workforce education and training programs and services in their regions. WIBs involve employers and employees from large and small businesses and representatives from secondary schools, School-To-Work initiatives, colleges, regional technical centers, chambers of commerce, economic development entities, and public and non-profit agencies. Through the WIBs, employers and employees should both benefit from a more efficient, locally defined, responsive, and integrated system. As of November, 1996, WIBs were authorized in nine regions.

One-Stop Career Centers

A significant ongoing development in the way the Department of Employment and Training (DET) is organizing services through its 12 district offices is the establishment of regional One-Stop Career Centers. DET recently received a \$1.5 million federal grant to implement this system. The Centers provide comprehensive and coordinated information to individuals seeking work and employers looking to increase their workforce or to train existing staff. They offer labor market information, local regional, and national job opening listings, unemployment insurance benefits, brokering for education and training services, testing and assessment, career development workshops and counseling, and on-the-job training. DET also maintains an Internet home page that provides this information. The grant will be used, in part, for technology improvements, staff training, and development of a customer driven, performance-based measurement system.

School-To-Work Initiative

School-To-Work (STW) is an innovative, federally-funded program administered by DET. STW develops regional partnerships of employers, educators, learners, community organizations, and government agencies with the objective of redesigning the delivery system in their region that creates a highly-skill, well-paid workforce. It will use what is being learned nationwide to develop a statewide standards-driven system geared toward providing education and training opportunities for those who have not yet received at least an Associates Degree.

STW is in the second of a five-year life. Last year, Vermont received a \$1.75 million grant to *form* the STW framework, based on regional partnerships. This year, a \$3.56 million grant was received to begin *implementing* the plan. There are now 14 regional STW partnerships covering the entire state.

Literacy in Vermont

The above programs assume that those entering the workforce have basic literacy skills. Unfortunately, this is not always the case. In its five-year strategic plan issued in February 1996, the Vermont Literacy Board reported that 88,000 Vermonters between 18 and 59 years of age lack literacy skills to succeed in work. Particularly alarming is that half of this number hold high school diplomas. According to the Board, one-quarter of the 88,000 lack basic literacy skills in reading, writing, and math that are needed to build secondary-level skills required in today's workplace (i.e., critical thinking, problem solving, information technology, work team skills, communication).

The Vermont Literacy Board reported that 88,000 Vermonters between 18 and 59 years of age lack literacy skills to succeed in work.

While we did not make a specific recommendation in this report regarding Adult Basic Education (ABE), we strongly support the

Literacy Board's efforts to fund initiatives that will provide ABE programs to critical target groups of Vermonters. These literacy statistics identify a situation that will affect both current and future economic development in our state.

1996 Recommendations

Our first seven recommendations in this policy area relate to the development of skills needed in the workforce and the accountability of the education and training system. The last initiative describes a direct link between higher education and economic development.

In developing skills, the ultimate test of an education system is whether it prepares students for success in life, including being ready to enter or re-enter the workforce. Arguably, the earliest years of school are the most critical for learning — this is when the basic tools and styles of learning are developed. However, with such rapid changes in technology and workforce needs, one's education has become a life-long venture.

With regard to accountability, the challenge is to provide quality education and training at a reasonable cost. Our education and workforce training system must prepare students to be successful in the world of work using the most innovative, efficient, and effective systems we can devise.

Priority #1A

Recommendation #30: Build on *The Green Mountain Challenge*

Vermonters have worked together to build a quality primary and secondary education system. While new and ongoing challenges put constant strain on this system and make comparable assessments difficult, Vermonters nevertheless want to know how well the system is performing. We echo several of the questions repeatedly addressed to us: What is the desired quality of public education? What standards

do we use to assess the effectiveness of the system? What outcome measures (as compared to input measures, such as class size) do we use to direct funding decisions?

Currently, the State Board of Education, which oversees K-12 public education, has in place *The Green Mountain Challenge: High Skills for Every Student, No Exceptions, No Excuses*. This document is in its third draft and serves as the blueprint for the redesign of Vermont's PreK-12 educational system. The *Green Mountain Challenge* states that "the educational system needs to change because in order to succeed in their communities, in their homes, and in the adult workplace of tomorrow, every student will need higher skills that today's system is capable of helping them build." To drive this change, the *Green Mountain Challenge* suggests three areas in which to focus work:

1. Develop student content and performance standards that match or exceed the best in the nation and the world,
2. Build a comprehensive assessment system to determine whether those standards are being met, and
3. Develop a system which provides opportunities necessary for all students to learn.

Some of this work will be done at the state level, but local school districts must develop their own curriculum and assessment tools needed to meet the statewide student standards set forth in the *Vermont Framework of Standards and Learning Opportunities*.

The Board of Education recently adopted a comprehensive statewide assessment system that includes state and local components that intends to showcase schools in which a large percentage of students achieve high standards. Technical assistance will be targeted for low performing schools. The success of this system will hinge on involvement by parents, local school boards, and state officials to develop plans, publish progress reports, and work together to achieve goals. We recommend that the Legislature fund this work in the FY 1998 budget.

Once an assessment system is developed and statewide standards are established, the Council sees potential for implementation of a Vermont Certificate of Initial Mastery Program, which would establish benchmarks for basic skills and content for high school graduates.

The Vermont School Report is a tool that can be used to define accountability indicators, measure them, and identify which school programs need assistance in meeting standards. The Council strongly supports the Board's and DOE's work with this tool.

Priority #1B

Recommendation #31: Restructure Technical Education

Vermont's 16 technical centers can, and should, play a vital role in both preparing future employees and retraining the existing workforce for our high technology future. Some of these centers have developed effective core programs that are preparing students to enter the workforce or go on to higher education. However, the quality of instruction in our technical centers runs the gamut and these inconsistencies need to be addressed. Also, as currently structured, the technical centers do not follow an integrated statewide design and mission. Of critical importance is a long-term vision that prepares entry-level employees (secondary and post-secondary) and provides for the development of the current workforce.

As currently structured, the technical centers do not follow an integrated statewide design and mission.

Several position papers have been circulated relating to changes required to significantly enhance both secondary and postsecondary technical education in Vermont. The Council endorses the need for radical change and proposes that this redesign should happen in the near future. We suggest that pilot programs be developed and field tested for any new system design.

This topic is also a major focus for the HRIC, the Department of Education, Board of Education, the Vermont State Colleges, and the Department of Employment and Training. In 1997, the HRIC, Board of Education, and VEPC will organize and co-sponsor statewide hearings and forums to review the technical education system. The objective is to report to the Governor and the Legislature by Fall of 1997. Three topics have been identified for discussion at these forums—

- How do we achieve a world-class technical education system in Vermont?
- What will such a system look like in Vermont?
- What needs to be continued or changed to implement this system?

Recommendation #32: Support of Higher Education

Higher education is offered by 23 public and private colleges and universities, with total enrollment of over 35,000 and around 7,000 degrees conferred annually. About 60% of these students are enrolled in public institutions. In addition to developing a quality workforce, our diverse array of colleges and universities bring significant revenue into Vermont's economy, with about 55 percent of enrolled students coming from out of state.

Vermont should increase its support of higher education. To

Our diverse array of colleges and universities bring significant revenue into Vermont's economy with about 55 percent of enrolled students from out of state.

accomplish this goal, the Council continues to recommend that a "compact" defining the goals to be achieved through increased state assistance be developed by the state's higher education leaders, the Governor, and the Legislature.

The state's contribution to *capital* expenditures also needs to be reviewed. We recommend that the Secretary of Administration, the Commissioner of State Buildings, the President of UVM, and the Chancellor of Vermont State Colleges develop a long-range capital plan for state-sponsored institutions.

Recommendation #33: Determine Future Workforce Needs

It is essential that the workforce meets current and changing needs of employers. There are two elements needed —

- Determining the anticipated needs of employers in the next five to ten years. This will require an ongoing effort to update industry and occupation projections and workforce inventories.
- Knowing what resources are available for training and how they can be used.

Regarding the first element, we pledge to work with the HRIC and DET to review their industry and occupation projections to the year 2005 and to determine if these projections mesh with expected growth industries being targeted by economic development entities.

As to the second element, we recommend that the HRIC, working with the WIBs, develops ideas on the most effective ways to utilize resources coming from federal, state, and local sources for workforce training. Federal block grants are part of the puzzle, but it is uncertain at this time how many strings will be removed from federal funding.

Recommendation #34: Education Funding and Budgeting

In addition to property tax questions, the Council is aware of planning issues facing local school boards. No business would try to operate merely on a year-to-year budget cycle. Yet, there is no provision in Vermont's education statute (Title 16) for local school districts to pass multiple year budgets. Long-range fiscal planning should be encouraged, and we recommend that they be given the tools to do this. We suggest that the Board and Department of Education, in concert with the school and business community, review the existing statute and propose changes that will allow for a longer planning cycle. This review might well be the entry point for a full rewrite of Title 16, which has been pieced together over many years and is in need of updating.

Recommendation #35: Cost & Quality Commission Follow-Up

In the course of our hearings and forums, Vermonters have posed several questions to us: What is the best use of our education dollars? How much do we have to spend to attain the desired quality of public education? What are the best approaches to realize potential savings? Within what time frame?

With regard to these questions, the Council is very interested in the 1995 report of the Cost and Quality Commission. The report outlines five strategies aimed at controlling the cost of public education while improving the delivery of educational services —

We believe various efficiency measures the Cost and Quality Commission cited should be explored.

1. Provide consistent, accurate, and reliable reporting
2. Focus on early education and early literacy intervention
3. Meet individual needs in innovative and cost-effective ways
4. Reshape educational management and governance
5. Simplify and reduce regulations to focus on results

The Cost & Quality Commission's report is a significant piece of work that we heartily support. We believe various efficiency measures the Commission cited should be explored, including possible consolidation of outlying school districts.

Recommendation #36: HRIC Accountability Indicators

The HRIC is putting significant effort into developing and tracking Accountability Indicators, listed in Appendix E. It looks to apply these measures at both state and regional levels and are currently gathering baseline data through its member agencies. The HRIC sees these measures driving regional decision-making processes.

We applaud the HRIC's work, noting that it can be a model for others to use (see discussion about benchmarking in Policy Area Nine) and the basis for the Legislature to measure the success of a number of workforce training programs.

Recommendation # 37: VHEC Economic Partnership

The Economic Partnership between the Vermont Higher Education Council and the Agency of Commerce and Community Development (ACCD) is designed to secure funding for research and implementation of projects that support Vermont's economic goals. As proposed, the Partnership would seek out grant opportunities from any and all sources that foster revolving community loans, downtown revitalization, worker training, capital formation, international trade, biotechnology, value-added wood products, and state marketing.

The Partnership would be run by a Steering Committee including two members each from private and public institutions and ACCD. Administration of the venture could be sustained by a small percentage of grants (5% has been proposed) and ACCD funding.

The Council is excited about this development and we encourage implementation of the Partnership.

<i>Recommendations</i>	<i>Recent History</i>	<i>Action Steps During 1997</i>	<i>Action Steps During 1998</i>	<i>Action Steps 1999 to 2006</i>	<i>Indicators (1)</i>
Policy Area Four: A World-Class Workforce					
30. <u>Priority #1A</u> Build on The Green Mountain Challenge in restructuring Vermont's preK-12 educational system.	<p>The first <i>Green Mountain Challenge</i>, Vermont's official plan for improving education, was released in 1991. It was revised in 1995 as part of the Goals 2000 Update. In 1996, the State Board approved the <i>Vermont Framework of Standards and Learning Opportunities</i>.</p>	<ul style="list-style-type: none"> • DOE provides support to school districts in the development of local curriculum and assessment tools to go along with already-established student learning standards articulated in the <i>Vermont Framework of Standards and Learning Opportunities (Framework)</i>. • State Board and DOE build a comprehensive statewide assessment system linked to the <i>Framework</i>, with funding provided by the Legislature. • State Board and DOE use the annual Vermont School Report to define accountability indicators. • Property tax reform is adopted by the Legislature. 	<ul style="list-style-type: none"> • State Board of Education and DOE ensure that educators understand and use the student content and learning standards in developing local curriculum. • After the assessment program is developed, appropriate standards are established. • State Board and DOE ensure that educators, school boards, the public, and the Legislature understand and use the assessment system. • State Board and DOE develop tools and provide technical assistance to improve local school programs. <p>Property tax reform implemented.</p>	<ul style="list-style-type: none"> • Indicators for standards are tracked and compared to goals. • Establish the Vermont Certificate of Mastery as a benchmark for educational achievement. 	3 4 6 13 17 62 63 64
31. <u>Priority #1B</u> Restructure Vermont's secondary and post-secondary technical education system.	<p>1996: Several plans for restructuring technical education have been proposed to legislative committees.</p>	<ul style="list-style-type: none"> • The HRIC, DOE, and VEPC, in collaboration with regional WIBs and STW initiatives, gather and process input from public hearings and forums and develop a model to restructure Vermont's 16 technical centers into a cohesive statewide system based on workforce needs. 	<ul style="list-style-type: none"> • One regional program is developed to test the model created in 1997. The model is revised at the end of one year. 	<ul style="list-style-type: none"> • Three regional programs are developed to test the revised model in 1998. All tech centers are restructured by 2000. 	3 4 6 53 62 63 64 77

<i>Recommendations</i>		<i>Recent History</i>	<i>Action Steps During 1997</i>	<i>Action Steps During 1998</i>	<i>Action Steps 1999 to 2006</i>	<i>Indicators (1)</i>
32.	Increase Vermont's support of higher education.	1994-95: Vermont ranked 49th in state appropriations per capita for operating expenses of higher education.	<ul style="list-style-type: none"> The Governor, UVM, VSC, VSAC, and the Legislature develop a compact regarding <i>operating</i> funding and student assistance for higher education. 	<ul style="list-style-type: none"> Following up on the compact developed, the Legislature adopts a long-term funding plan for higher education, including the desired per capita ranking . 	<ul style="list-style-type: none"> Legislature appropriates funding to attain the desired per capita ranking by 2006. 	32 62 65 66 67
			<ul style="list-style-type: none"> The Secretary of Administration, UVM, VSC, and the Department of State Buildings complete a long-range <i>capital</i> plan. 	<ul style="list-style-type: none"> Provide sufficient capital funds to implement the long-range capital plan. 	<ul style="list-style-type: none"> Provide sufficient capital funds to implement the long-range capital plan. 	
33.	Determine the workforce needs of the future.	1996: WIBs in nine regions authorized and having discussions about workforce needs.	<ul style="list-style-type: none"> VEPC, HRIC, and DET review DET's industry and occupation projections in light of targeted growth industries. 	<ul style="list-style-type: none"> DET industry and occupational projections modified, as needed, to reflect targeted growth industries. 		3 6 7 8
			<ul style="list-style-type: none"> HRIC, in collaboration with federal and state providers, including DET's One-Stop Career Centers, begins development of a system that most effectively utilizes resources targeted for workforce training. 	<ul style="list-style-type: none"> HRIC, in collaboration with federal and state providers, including the DET One-Stop Career Centers, completes development of a system that most effectively utilizes resources targeted for workforce training. 		
34.	Support basic educational funding and budgeting which allows for long-range fiscal planning at the local level.		<ul style="list-style-type: none"> State Board of Education, with input from the school and business community, reviews the existing laws under Title 16 that affect school district financing. 	<ul style="list-style-type: none"> State Board makes joint proposal regarding revisions to Title 16 affecting school district financing. 		57 62 63 64
35.	Support	1995: The Cost & Quality	<ul style="list-style-type: none"> State Board of Education 	<ul style="list-style-type: none"> Data Council makes 	<ul style="list-style-type: none"> State Board issues reports using 	57

<i>Recommendations</i>		<i>Recent History</i>	<i>Action Steps During 1997</i>	<i>Action Steps During 1998</i>	<i>Action Steps 1999 to 2006</i>	<i>Indicators (1)</i>
	recommendations made by the Cost & Quality Commission.	Commission issued their report: <i>The Education We Need At A Cost We Can Afford</i> . The report noted that on average only 63% of education spending went for instruction. The Commission asked why that figure was 80% for some school districts. It further inquired what difference a higher percentage made in the quality of education received.	<p>establishes a Data Council to improve data collection, analysis, and reporting.</p> <ul style="list-style-type: none"> • Governor appoints a task force to follow up on recommendations of the Cost & Quality Commission and to support existing work being done by the DOE and school boards. 	<p>recommendations to State Board for revised data standards.</p> <ul style="list-style-type: none"> • Governor's task force proposes recommendations stemming from its follow-up work to the Cost & Quality Commission. • Legislature passes bill to create a five-year education budget projection, effective FY 1999. • Legislature committees study revision options to state education statutes. 	<p>the revised data standards.</p> <ul style="list-style-type: none"> • Use revised education statutes to create optimal opportunities for economies of scale, equity of services, and elimination of duplicative work. 	62 64
36.	Adopt Accountability Indicators developed by the Human Resources Investment Council.	<p>1995: HRIC develops initial list of accountability indicators under seven categories.</p> <p>1996: HRIC begins gathering data for indicators.</p>	<ul style="list-style-type: none"> • Legislature adopts HRIC Accountability Indicators as measures of success for Vermont's workforce training programs. 	<ul style="list-style-type: none"> • HRIC tracks Accountability Measures and reports to the Legislature about progress made. 	<ul style="list-style-type: none"> • HRIC tracks Accountability Measures and reports annually to the Legislature about progress made. 	3 4 6 62 63 64
37.	Form the VT Higher Education Council (VHEC) Economic Partnership.	<p>1996: VHEC and Secretary of ACCD develop proposal for Economic Partnership.</p>	<ul style="list-style-type: none"> • VHEC and ACCD form Economic Partnership Steering Committee to identify and marshal higher education resources to work toward meeting Vermont's economic goals and secure outside funding to implement these priorities. 	<ul style="list-style-type: none"> • Economic Partnership continues to secure funds and work on research related to issues affecting Vermont's economy that are not being addressed by other economic development entities. 	<ul style="list-style-type: none"> • Economic Partnership continues to secure funds and work on research related to issues affecting Vermont's economy that are not being addressed by other economic development entities. 	3 65 67 77 79

(1) See Part III, Vermont Indicators, for measures most directly related to these recommendations.

Policy Area Five

An Exceptional Telecommunications Network

Introduction

Telecommunications technology is progressing at a rapid rate and is becoming an increasingly important aspect of commerce. It is not far-fetched that in 10 years the Internet will be the predominant way of doing business.

Vermont must aggressively press forward with plans to both maintain and upgrade the current telecommunications network as well as build new capacity. We can be on the leading edge of this revolution if an environment conducive to competition is nurtured which assures that providers of telecommunications services are welcomed to our state.

Vermont must aggressively press forward with plans to both maintain and upgrade the current telecommunications network as well as build new capacity

The Governor, Legislature, and various groups recognize the importance of a modern telecommunications network to Vermont's economic future. Plans and reports about telecommunications have been developed by the Vermont Business Roundtable, the Vermont Technology Council, the Vermont Institute for Science, Math, and Technology, and the Vermont Department of Education.

The most complete and definitive work to date has been the *Vermont Telecommunications Plan*, issued by the Department of Public Service (DPS) in December, 1996. The 320+ page Plan, prepared with significant input from the telecommunications industry and user groups, is organized under three topic areas:

1. *Vision and Direction for Vermont's Telecommunications.* Includes statutory goals and principles and an overview of the planning process.

2. *Telecommunications in Vermont.* Discusses the federal/state regulatory interplay (and the effect of the Federal Telecommunications Act of 1996), and describes Vermont's current telecommunications network infrastructure, trends in technology, and emerging applications.
3. *Issues and Priorities.* Includes sections on service provider concerns, emerging network capabilities, and specific applications to commerce and education (There are 164 recommendations organized under 45 topics).

In addition, there are appendices of the applicable state statutes, projected demographics by county and town, comparative rates and service penetration, and graphs showing the existing telecommunications infrastructure in Vermont.

The Council applauds DPS for their thoroughness and efforts to describe difficult technical concepts, economic models, and regulatory structures. We considered the *draft* of the DPS Plan, in depth, in developing our recommendations.

The Council's Overarching Policy Objectives

We have kept five overall policy objectives in mind while developing our telecommunications recommendations:

1. Expand the general knowledge of the business community as to what *applications* (related to but distinct from telecommunications *infrastructure*) are available in their areas and at what cost. Competition among service providers is certain to help meet this objective.
2. Develop an aggressive timetable to link Vermont statewide with the world (and to itself) via a high bandwidth, economical, and reliable digital network. This will help surmount the "rural penalty" some parts of the state might otherwise experience. Ensuring that all of Vermont has access to ISDN-or-better technology, which allows for rapid communication of data as well as voice, will help meet this objective. [Note: The actual timetable will be driven by

technology developments and corporate investment strategy, but government can, and should, play a catalytic role.]

3. Mitigate, where possible, any negative effects of Vermont's smaller-size market on pricing and infrastructure development.
4. Update and clarify rules and regulations and develop incentives to encourage the commercial use of emerging telecommunications applications.
5. Establish joint government/business endeavors where feasible (e.g., satellite-based facilities) that will leverage public dollars and expand use of new technologies.

Specific Telecommunications Technology and Policy Issues

There is a broad range of specific telecommunications issues that will need to be addressed under varying timetables and by different combinations of participants. We have addressed several of these issues in this year's recommendations and will continue to gather information on the others during the coming year. The issues include

- The siting of telecommunications towers. The rapid growth in use of cellular phones creates a pressing need for establishing a seamless communication system. However, other applications, including advanced methods of data transmission, will require tower access, too.
- Determining the proper sequence to address various telecommunications issues and developing effective public input mechanisms to reach telecommunications policy decisions.
- Finding appropriate ways to facilitate expansion of high-end services, such as electronic data interchange (EDI) and electronic commerce applications.
- Addressing the disparity between business and residential rates, exacerbated by the disappearing distinction between the

volume and type of use for these lines due to Internet linkages and increased home business activity.

- Ensuring security of electronic data (including computer crime legislation), constitutional privacy, and intellectual property rights.

The task facing the Public Service Board — to provide an environment conducive to major infrastructure investment while ensuring quality and well distributed affordable service — is not an easy one.

Meeting and addressing the above policy objectives and issues will require a competent regulatory hand that understands and takes advantage of market forces that will drive technological developments. The task facing the Public Service Board — to provide an environment conducive to major infrastructure investment while ensuring quality and well distributed affordable service — is not an easy one.

Using the Current Network Capacity

In addition to adding capacity, Vermont needs to take full advantage of the telecommunications technology we already have. One application is Videoconferencing, now available through Vermont Interactive Television and several private providers.

Vermont Interactive Television (VIT) has been operational in Bennington, Brattleboro, Canaan, Middlebury, Newport, Randolph Center (VIT Headquarters), Rutland, St. Albans, St. Johnsbury, South Burlington, Springfield, and Waterbury since 1994. These sites are located in "host institutions" such as schools, businesses, hospitals, and government buildings. Available 24 hours a day, VIT can be used for a variety of applications including educational and training programs, business conferences and meetings, and public hearings. The transmission is "real time" and brings people together face-to-face through two-way voice activation. Each site has Visu-link capabilities which, through ISDN technology, offer Videoconferencing anywhere

in the world. Some VIT sites are used to near capacity while others are available on a regular basis. The use of *all* 12 sites simultaneously must be planned well in advance.

1996 Recommendations

Priority #6

Recommendation #38: Broad-Based Telecommunications Planning

In 1994, Governor Dean created the Telecommunications Technology Council of Vermont (TTCV) to advise him on telecommunications issues. The TTCV issued 10 recommendations to the Governor in the Fall of 1995 and has been subsequently inactive. Currently, there is no designated *broad-based* group meeting to consider how telecommunications policy can stimulate movement of technology into the marketplace.

Considering the importance of telecommunications to economic development, VEPC proposes to host a meeting early in 1997 involving people and groups most interested in telecommunications policy. It will include representatives from the public, private, and non-profit sectors working directly with telecommunications *applications*. The main purpose of this meeting will be to create an *ongoing* group or structure to lead broad-based statewide telecommunications planning. We see a clear need for such a group that would tackle the issues framed in the Vermont Telecommunications Plan as well as develop strategies to implement the recommendations most important to economic and community development.

Considering the importance of telecommunications to economic development, VEPC proposes to host a meeting early in 1997....to create an ongoing group or structure to lead broad-based statewide telecommunications planning.

The rapid pace of technological change means that planning horizons are shrinking and policies that are established will need to be broad. Three principles we envision guiding the ongoing group's work are —

- **Prioritization.** Which of the 164 recommendations in the DPS Plan, as well as recommendations made by other groups, need to be done in 1997? During 1998? By year 2000?
- **Action orientation.** Developments in telecommunications technology and applications are changing fast. Detailed planning is likely to be obsolete before practical implementation can occur. We must, therefore, have a bias for action, knowing that any undertaking will evolve and as we proceed.
- **Follow-through.** Who will take the lead in implementing recommendations? What resources can be combined?

While service providers will deliver much of the information about telecommunications developments through marketing efforts, we feel an *applications* center can help Vermont businesses be more aware of what is *now* available as well as new applications coming on line. As the number of service options proliferate, it will be even harder to keep up with these developments. An applications resource center could maintain information about products, including a description of uses and capabilities for each application, the type of line or network components needed to use the application, vendors who offer it, and the approximate costs.

Forming such a resource center should be a collaborative effort, involving private vendors and providers who would collectively benefit from expansion of their markets, business assistance programs, such as the SBDC and the Manufacturing Extension Center, educational institutions, and other organizations interested in furthering the use of new technology in Vermont. Ongoing funding for a resource center could come from a combination of user fees, federal and foundation grants, corporate donations, and state dollars. The model for this type of collaborative effort is the Vermont Technology

Council as it has developed the Centers for Excellence and their supporting infrastructure initiatives.

Under this recommendation, we include the need for computer crime legislation. Vermont is the only state without such legislation, which would make unauthorized electronic access (e.g., by modem, direct line, or disk) a crime. If we want to encourage companies to make investments in telecommunications equipment and operations in Vermont, it is important to provide reasonable assurance of their security.

Vermont is the only state without computer crime legislation, which would make unauthorized electronic access (e.g., by modem, direct line, or disk) a crime.

Recommendation # 39: Follow-up on the 1996 Vermont Telecommunications Plan Recommendations

Developing the Vermont Technology Plan was a major effort by DPS. However, it is just not possible to undertake all 164 recommendations at once. We recommend that to keep momentum from the Plan moving forward, these recommendations should be prioritized, target groups and resources identified to work on these items, and a *preliminary* timetable established for each priority recommendation. The ongoing telecommunications planning group, discussed above in Recommendation #38, would work with DPS and others to prioritize and implement these particular initiatives.

One specific recommendation in the Plan that the Council feels needs immediate attention is validation of electronic digital signature systems. A digital signature involves a two-step coding sequence: (1) input by the signer and (2) verification by a third party. The process is tantamount to electronic cryptography. This validation would allow for many types of secured business transactions without delay from mail delivery or the unsecured use of fax machines.

We also support a further review of the feasibility of the state being an anchor tenant in a commercial satellite uplink.

Recommendation # 40: Guidelines for the Siting of Telecommunications Towers

Developing a protocol for the siting of telecommunications towers is high on everyone's list. As stated in the DPS Draft Report —

“The public is coming to expect cellular phone access everywhere, and such service requires transmission sites that are either high enough to cover a targeted area or numerous enough to provide coverage at lower heights.... Local zoning has authority over the siting of towers, and the primary concerns are aesthetics, health risks, and structural soundness.”

While this refers specifically to cellular service, towers also carry signals for digital and radio transmission.

Issues of jurisdiction arise with tower placement and operation. State or local authority over *placement* and *structure* is preserved by the 1996 Federal Telecommunications Act. The Act does declare, however, that “reasonable efforts” must be made to accommodate “personal wireless services,” i.e., cellular phones. Moreover, the Act prohibits enforcement of state or local restrictions for radio frequency emissions that exceed FCC regulations.

These provisions in the federal law have resulted in some ambiguities. As a result, 1995 legislation (H. 795) created the Tower Siting Advisory Committee (TSAC). TSAC is drafting guidelines for placement of transmission towers and equipment on state-owned land and buildings and developing a coordinated approach to approval of towers by state government. TSAC first met in October, 1996. The Council will await its findings before making a recommendation.

We feel the concept of public /private partnerships building towers and leasing space to various service providers should be more fully explored. This has the potential for minimizing the number of towers and lessening the impact on the landscape.

Recommendation # 41: Creating Outcome Indicators and Benchmarks for Telecommunications Service

With telecommunications applications coming onto the market so rapidly, it is important for Vermonters to consider what they desire for service in the very near future. This will help to guide telecommunications policy as well as assist service providers in gauging market potential in the state. Regarding benchmarks, a series of questions surface —

- To what level of service do we aspire?
- Who (i.e., the Federal Communications Commission (FCC); the Vermont PSB; the market) has jurisdiction over which standards? It is noteworthy that PSB Docket 5903 calls for the development of service quality indicators.
- Should these standards be evenly distributed statewide?
- By when can we attain them?
- How often should standards be revised?
- How reliable and accessible will data be, in that some of it will be proprietary information?

As described in Policy Area Nine, benchmarking is a decision-making tool that can help direct resources to meet the desired outcomes. Some *preliminary* telecommunications indicators to consider are—

- Percentage of Interstate and National Highway System road miles with access to current and emerging standards for mobile communications — today that is voice cellular.
- Percentage of phones with availability to the Internet at the current “emerging standard” — today it is 28.8 kbps.
- Cost and availability of access to various bandwidth levels and service (e.g., ISDN) around the state.
- The cost of basic business service compared to selected New England states.

This is anything but a complete list of key indicators and we recommend that the ongoing planning group discussed in Recommendation #38 and the DPS work together to develop indicators and benchmarks. In light of the dynamic changes in this industry, we anticipate a need to periodically update indicators and goals.

<i>Recommendations</i>	<i>Recent History</i>	<i>Action Steps During 1997</i>	<i>Action Steps During 1998</i>	<i>Action Steps 1999 to 2006</i>	<i>Indicators (1)</i>
<i>Policy Area Five: An Exceptional Telecommunications Network</i>					
38. <u>Priority #6</u> A broad-based planning effort guides the development of telecommunications infrastructure and applications in Vermont.	<p>1994: VEPC urged the Governor-appointed Telecommunications Technology Council of Vermont (TTCV) to define broad-based principles and guidelines. TTCV first met in December.</p> <p>1995: TTCV held a retreat and issued a report to the Governor with recommended principles and guidelines. There are no plans for the TTCV to reconvene.</p> <p>VEPC suggested the SBDC develop a business-related telecommunications applications inventory. In that the SBDC serves start-ups and very small businesses, we feel this project should be housed elsewhere.</p>	<ul style="list-style-type: none"> • VEPC convenes a group of key state government officials, business organizations, other users, and providers to consider the structure and membership of an ongoing group that would work with telecommunications policy and applications issues. <hr/> <ul style="list-style-type: none"> • A collaborative effort develops a telecommunications application inventory, which includes a brief description of capabilities, possible applications, and vendor information. <hr/> <ul style="list-style-type: none"> • A telecommunications applications Web page is developed and widely publicized. <hr/> <ul style="list-style-type: none"> • Computer crime legislation is passed by the Vermont Legislature. 	<ul style="list-style-type: none"> • An ongoing telecommunications policy and applications group works collaboratively to bring markets and products together and makes recommendations to the Governor and Legislature. <hr/> <ul style="list-style-type: none"> • A telecommunications applications center continues to update an inventory of products and services and their possible applications. <hr/> <ul style="list-style-type: none"> • Web page updated frequently. 	<ul style="list-style-type: none"> • An ongoing telecommunications policy and applications group works collaboratively to bring markets and products together and makes recommendations to the Governor and Legislature. <hr/> <ul style="list-style-type: none"> • A telecommunications applications center continues to update an inventory of products and services and their possible applications. <hr/> <ul style="list-style-type: none"> • Web page updated frequently. 	3(b) 35 47 69

<i>Recommendations</i>		<i>Recent History</i>	<i>Action Steps During 1997</i>	<i>Action Steps During 1998</i>	<i>Action Steps 1999 to 2006</i>	<i>Indicators (1)</i>
39.	Follow-up on recommendations made in the 1996 VT Telecommunications Plan that support Vermont's economic goals and provide a state-of-the-art telecommunications infrastructure.	<p>1993: Previous "10-Year" Telecommunications Plan released by DPS.</p> <p>1996: DPS drew from work by the TTCV and other groups, and with much public input, issued a Draft Plan in and Final Plan in December.</p>	<ul style="list-style-type: none"> Broad-based planning group (Rec. #38) prioritizes the 164 recommendations in the 1996 DPS Plan. Benefits to economic development should be a primary criterion for prioritization. 	<ul style="list-style-type: none"> Costs associated with the priority recommendations are compiled and a strategic plan is developed to meet the priority recommendations. 	<ul style="list-style-type: none"> Priority recommendations are implemented. 	4
			<ul style="list-style-type: none"> Vermont Legislature passes a Digital Signature Law. 			44
			<ul style="list-style-type: none"> Feasibility study for establishment of a state-anchored satellite uplink explored/completed. 	<ul style="list-style-type: none"> Recommendations from 1997 feasibility study, if performed, reviewed by the legislative committees. 	<ul style="list-style-type: none"> Satellite uplink established, if warranted. 	47
40.	Establish guidelines for the siting of telecommunications towers that will help establish uninterrupted service.	<p>1995: VEPC recommended that ANR propose guidelines for the citing of telecommunication towers.</p> <p>1996: E-Board active in siting issues. Tower Siting Advisory Committee (TSAC) created by H. 795.</p>	<ul style="list-style-type: none"> The Tower Siting Advisory Committee (TSAC), as charged by H. 795, reports its findings to the Legislature. 	<ul style="list-style-type: none"> Tower siting guidelines put in place. 		68
						69
						69
41.	Create telecommunications outcome indicators and benchmarks.	<p>1993-1995: VPEP and VEPC annual reports included four telecommunications measures in the indicators section. The only target established was that 100% of Vermont's telephones should have touch-tone service.</p>	<ul style="list-style-type: none"> DPS and the ongoing planning group (Rec. #38) lead a process to develop key indicators for cost, quality, and capacity of telecommunications network. 	<ul style="list-style-type: none"> Report issued by October, 1998, with baseline figures for the key indicators developed through the benchmarking process. 	<ul style="list-style-type: none"> DPS tracks the indicators and issues an annual update. 	68
			<ul style="list-style-type: none"> VEPC selects telecommunications indicators for its annual report from the benchmarking process. 	<ul style="list-style-type: none"> VEPC reports include tracking of output indicators developed and updated by the benchmarking effort. 	<ul style="list-style-type: none"> DPS and ongoing planning group periodically review choice of indicators and goals. 	69
					<ul style="list-style-type: none"> VEPC reports include tracking of output indicators. 	

(1) See Part III, Vermont Indicators, for measures most directly related to these recommendations.

Policy Area Six

A Fair, Predictable, and Competitive Energy Policy

Introduction

Energy costs are a major concern for all Vermonters and a substantial factor in the cost of doing business. While oil, natural gas, wood, and solar energy sources provide the vast majority of energy for transportation and heating, Vermont's economic base relies heavily on electric power for lighting, cooling, electronic and mechanical equipment, and phones.

As shown in the table below, in which we selected a geographical range of states for comparison, listed in the order of total per kilowatt revenue (i.e. user cost), Vermont's 1995 average electric power rates are lower than our New England competitors, including 17 percent less than New Hampshire's overall average rate, but they are

Comparative 1995 average utility revenue (cents per KWH)

<i>State</i>	<i>Industrial</i>	<i>Com- mercial</i>	<i>Resi- dential</i>	<i>Total</i>
<i>Oregon</i>	<i>3.4</i>	<i>5.1</i>	<i>5.5</i>	<i>4.7</i>
<i>Texas</i>	<i>4.0</i>	<i>6.6</i>	<i>7.6</i>	<i>6.1</i>
<i>North Carolina</i>	<i>4.9</i>	<i>6.5</i>	<i>8.1</i>	<i>6.6</i>
<i>U.S. Average</i>	<i>4.8</i>	<i>7.6</i>	<i>8.4</i>	<i>6.9</i>
<i>Illinois</i>	<i>5.2</i>	<i>7.9</i>	<i>10.4</i>	<i>7.7</i>
Vermont	7.4	9.7	10.4	9.4
<i>California</i>	<i>7.6</i>	<i>10.6</i>	<i>11.7</i>	<i>9.9</i>
<i>Massachusetts</i>	<i>8.5</i>	<i>9.9</i>	<i>11.2</i>	<i>10.1</i>
<i>New England Avg.</i>	<i>8.1</i>	<i>10.1</i>	<i>11.6</i>	<i>10.2</i>
<i>New York</i>	<i>6.6</i>	<i>11.9</i>	<i>13.6</i>	<i>11.0</i>
<i>New Hampshire</i>	<i>9.2</i>	<i>11.1</i>	<i>12.9</i>	<i>11.3</i>

Source: Edison Electric Institute

higher than in other parts of the United States. While this positions us favorably within the region, Vermont, as well as the rest of New England, experiences a competitive disadvantage outside of the region when it comes to retaining, expanding, or attracting new businesses.

Priority #5

Recommendation # 42: Restructuring of the Electric Utility Industry

The electric industry, nationwide, is undergoing rapid change. Major consumers are seeking to purchase power from cheaper sources, potentially from other than their traditional local utility. *Choice* of a range of services available to all consumers, not just the largest users, is an expected benefit of restructuring. However, *reliability* and *universal access* are crucial objectives that must be retained.

Restructuring should not be confused with deregulation. Electric service in Vermont will continue to be regulated by the Public Service Board. Nevertheless, it is clear that restructuring will change the roles among generators, transmitters, and consumers of electric power. To prepare for these changes, Vermont needs to develop a strategy that combines potential lower electric costs with fairness to both customers and Vermont's utilities, while protecting Vermont's environmental and other public policy goals.

In November 1994, the Public Service Board and the Department of Public Service convened the Competition Roundtable which created two related lists of 14 principles and issues to be considered in the restructuring process, including —

- *quality and reliability*
- *public health and safety*
- *efficiency in electric production*
- *demand side management*
- *service for low-income customers*
- *public accountability*
- *economic competitiveness*
- *retail customer choice*
- *environmental protection*
- *nondiscriminatory open access*
- *recapture of utility stranded costs*
- *equitable treatment of all customers*
- *universal access*
- *customer protection*

Using the findings and stated objectives of the Competition Roundtable as a backdrop, in October 1995, the Public Service Board opened its "Investigation into the Restructuring of the Electric Industry in Vermont" (Docket No. 5854). Utilities and the Department of Public Service have filed proposed restructuring plans, interested parties have commented on the plans, and on December 31, 1996, the Board issued its Final Report and Order with recommendations for legislative authorization and statutory changes.

If the Public Service Board's proposal is approved by the Legislature, the result will be a radical transformation of the electric utility industry (consistent with actions in other New England states and California), including the ability of customers to buy power competitively from sources other than their traditional utility by January, 1998. Many details still need to be developed to ensure that power costs will in fact be reduced for all customers and that other important environmental and public policy goals, such as energy efficiency, consumer protection, and reliability are preserved. The success or failure of the restructuring process will depend in large measure on the commitment of all stakeholders to reach a consensus on workable solutions that address the outstanding issues. The public needs to be aware of how its electric service will change under restructuring. We urge the DPS and the electric utilities to provide adequate information about service choices so that all customer groups may benefit from competition.

The success or failure of the restructuring process will depend in large measure on the commitment of all stakeholders to reach a consensus on workable solutions that address the outstanding issues.

The Council has been advised that to support the state's economic development efforts, Vermont's timeline for restructuring should coincide with other states. We urge the Legislature and the

Public Service Board to keep pace with restructuring developments elsewhere.

We also have heard strong arguments for ensuring that the control over the electric industry remain within Vermont. Testimony by Vermont utilities before the Public Service Board noted that their inability to adequately recover costs incurred as a result of prior regulatory decisions (i.e., "stranded costs") would hamper their financial security. To the extent that unmitigated stranded costs were incurred from regulatory directives, they should be incorporated in future rates. However, once this recovery has been provided for, and respecting the 14 principles developed by the Competition Roundtable, the Council sees the need for Vermont's utilities to compete with out-of-state energy providers.

Recommendation #43: Energy Efficiency Programs

In addition to potential savings from restructuring, Vermont's energy costs can be reduced over the long term through energy-efficiency measures. Utility and nonutility providers should be encouraged to continue cost-efficient, energy-saving programs. We support the continuing efforts made by the Department of Public Service and the Public Service Board to work with utilities and users to develop cost-effective incentives to save energy.

Recommendation #44: Renewable Energy Technologies

Vermont has a remarkable number of firms developing advanced technologies, including a growing industry in wind power generation. The state should provide strategic support for the commercialization of environmentally-sound, renewable energy technologies including wood, wind, and solar power, as well as encourage the sustainable use of renewable resources.

<i>Recommendations</i>	<i>Recent History</i>	<i>Action Steps During 1997</i>	<i>Action Steps During 1998</i>	<i>Action Steps 1999 to 2006</i>	<i>Indicators (1)</i>
<i>Policy Area Six: An Energy Policy that is Fair, Predictable, and Competitive</i>					
42. <u>Priority #5</u> Lower Vermont's energy costs through a restructuring of the regulatory and commercial environment for the purchase and sale of electricity, in a manner that benefits and is fair to all customer classes and stakeholders, while protecting the environment.	1993-1994: VPEP and VEPC recommended establishing an Energy Council by Executive Order to develop a broad-based energy policy in light of competition among electric utilities. This recommendation was superseded when DPS and PSB established the Competition Roundtable. 1995: VEPC recommended that the appropriate legislative committees and the PSB review electric utilities proposals and collaborate on developing guidelines for restructuring.	<ul style="list-style-type: none"> General Assembly considers legislation prior to implementation of electric industry restructuring. 	<ul style="list-style-type: none"> Utilities and consumers begin transitional implementation of restructuring. Customer choice begins January, 1998. 	<ul style="list-style-type: none"> Monitoring and evaluation of electric industry restructuring by the PSB, General Assembly, and the private sector. 	3(a) 3(b) 41 70
43. Assure the availability of cost-efficient energy efficiency services to all consumers from utility and non-utility providers.	1993 - 1995: VPEP and VEPC supported the expansion in the scope and participation of energy efficiency programs.	<ul style="list-style-type: none"> General Assembly considers energy efficiency building code legislation. DPS and PSB coordinate discussions among utilities and the public and private sectors and propose energy efficiency programs, with funding mechanisms, as part of a restructuring plan. 	<ul style="list-style-type: none"> DPS and PSB continue to evaluate progress and pursue development of coordinated energy efficiency programs. 	<ul style="list-style-type: none"> DPS and PSB continue to evaluate progress and pursue development of coordinated energy efficiency programs. 	3(b) 71

<i>Recommendations</i>		<i>Recent History</i>	<i>Action Steps During 1997</i>	<i>Action Steps During 1998</i>	<i>Action Steps 1999 to 2006</i>	<i>Indicators (1)</i>
44.	Encourage the commercialization of environmentally-sound renewable energy technologies.	1995: VEPC emphasized the importance of renewable energy technologies in a long-term strategy for electric power.	<ul style="list-style-type: none"> DPS and PSB seek ways to support the commercialization of Vermont-based renewable energy technologies. 	<ul style="list-style-type: none"> DPS and PSB reevaluate and implement existing efforts for commercialization. 	<ul style="list-style-type: none"> DPS and PSB reevaluate and implement existing efforts for commercialization. 	3(b) 72

(1) See Part III, Vermont Indicators, for measures most directly related to these recommendations

Policy Area Seven

A State Transportation System that Supports Economic Development

Introduction

Vermont's transportation system is crucial to economic development. If the perception *or* reality suggests that "you can't get there from here," this will negatively impact economic activity. Fortunately, for most forms, or *modes*, of transportation, goods and people can move to points within and across the state, although the speed of this movement varies. However, as Vermonters increasingly compete in the global economy, we must find better ways to facilitate movement. To support economic development, our existing transportation system must first, be well-maintained and second, be modified to meet changing and future needs, such as those resulting from home-based employment and telecommunications technology.

The Agency of Transportation

The Agency of Transportation (AOT) oversees much of the state's transportation system, which includes 14,000 miles of national, state, and local roads, 2,700 bridges, 72,000 road signs, 320 miles of railroad tracks, and 10 state airports. AOT also coordinates the activity of private and semi-private rail, air (excluding Burlington International Airport, which is managed by the City of Burlington), public transit, and ferry operators and is involved in the development of municipal bike and pedestrian paths and other transportation-related projects. AOT provides critical funding and support to towns for the maintenance of local roads and bridges.

The AOT's stated vision is "to preserve and improve an integrated system to support the Vermont way of life and economic vitality." Its Mission includes the "movement of people and goods in a safe, cost effective, environmentally sensitive and timely manner."

Of the eight Agency goals, the first three relate directly to economic development —

- **Goal #1:** *Promote efficient operations of the transportation system*
- **Goal #2:** *Use and connect "appropriate forms" of transportation*
- **Goal #3:** *Provide access to all areas of the state*

The AOT's Long Range Transportation Plan (LRTP), issued in August, 1995, is the blueprint for transportation planning, design, construction, operation, and maintenance over the next 20 years. The LRTP emphasizes "attaining the greatest efficiency possible with the *existing* system" by improving linkages among different forms of transportation. The LRTP promotes four overarching principles —

- (1) Preventative Maintenance (highest priority);**
- (2) Strategic Capital Investment in ways that ensure safety and enhance Vermont's economic vitality, with a focus on major corridors;**
- (3) Responsive Design that is sensitive to Vermont's character; and**
- (4) Public Involvement.**

The Council applauds the AOT's effort in developing the LRTP and its commitment to putting dollars in places that will have the greatest long-term benefit. In particular, we agree with the LRTP's principle of Strategic Capital Investments, one objective of which is to provide improvements on major corridors that promote economic vitality. We highly recommend that those interested in transportation policy contact AOT's Planning Division for a copy of the LRTP.

Transportation Funding

Transportation funding comes from federal, state, and local sources. However, it is the State Transportation Fund (T-Fund) that attracts the most attention. In Fiscal Year 1995, \$150 million went into the T-Fund from taxes and fees. Of this amount, \$76 million was appropriated by the Legislature to AOT for its programs. Another \$60 million was distributed to towns and other state agencies and departments.

Annually, AOT presents a budget to the Legislature, which makes final funding decisions. AOT then spends those funds as directed. Including \$100 million of federal funds, AOT spent \$176 million in FY 1995. Thirty six percent went to pave and maintain existing roads, 25% to upgrade state highways, 19% to the towns, 6% for rail, air, and public transportation, and 15% for planning, administration and operating the Department of Motor Vehicles.

In testimony, the Council heard concerns that the T-Fund has been “raided” to balance the state budget. We share these concerns but the Council is firmly behind a balanced budget. We also appreciate that what is considered “transportation-related” varies. Annually, the Joint Transportation Oversight Committee (JTOC) establishes guidelines and a budget number for AOT’s portion of the T-Fund. While it may be possible for JTOC and the House and Senate Transportation Committees to develop more specific criteria for the T-Fund allocation, the Council is wary of narrow definitions. One reason is the contribution of other sectors to T-Fund revenues. For example, gas tax receipts are augmented by tourists. Thus, it is not far-fetched to draw a connection between programs promoting tourism (see discussion in the Sectors section) and the T-Fund.

The Transportation Planning Process

Once transportation projects are completed, we live with them for a long time. Thus, the planning effort must be thoughtful and inclusive. The Council stresses the importance of having the business

Once transportation projects are completed, we live with them for a long time. Thus, the planning effort must be thoughtful and inclusive.

community and economic development organizations active in project selection. While the regional planning commissions and their transportation advisory committees should continue as a focal point of regional input, regional development corporations and chambers of commerce, where they are not already doing so, need to involve themselves in both the identification and final selection processes.

A key to good planning is for people to understand what projects will *look* like and how they will *function*. In addition to geographic information systems (GIS) technology, this will be aided by using visualization tools, including 3-D models and 4-D simulations, which will be available in the near future and can show movement within the system as well as spatial layout.

Economic Development Issues

The transportation system links Vermont to the Eastern U.S. population centers and to regional, national, and international markets for our goods and services. History has shown that access to the state by canal, railroad, and Interstate has played a key role in Vermont’s development.

The Council sees several specific transportation issues that impact economic development which need priority attention in the near future —

- ***Varying transportation needs among economic sectors.*** The travel industry, manufacturers, educational institutions, loggers, farmers, and retailers, are likely to rank system priorities differently.
- ***Differing needs within the system.*** For example, maintenance may be a higher priority where the system is relatively well developed, whereas new facilities and service may be needed

where the network is spotty. Needs also differ depending on population density and predominant industry mix.

- ***Effects of changing commerce and technology on the system.*** Changes include home-based businesses, decentralized manufacturing, telecommuting, distance learning, Videoconferencing, and home shopping.
- ***Better understanding of the importance of alternate forms of transportation.*** For example, public transportation expands the available workforce in a given area. Also, bikepaths and bikelanes can offer a viable three-season travel option as well as providing recreational opportunities. And, with the exception of drive-up windows, walkways are a part of every trip and need to be well maintained for both safety and aesthetic reasons.

Connectivity

The *connections* among modes are becoming increasingly important. For example, goods flown into Burlington International Airport may need to get to Hyde Park. The transportation system needs to accommodate mode shifts by offering adequate information to users about options, and providing connections that get people and goods to their destinations in a timely and cost-effective manner. Connectivity is a primary objective of 1991 federal legislation that created the Intermodal Surface Transportation Efficiency Act (ISTEA). ISTEA is concerned not only with how goods and people move through the system today but also how that movement will happen 10 or 20 years from now. This legislation is currently up for re-authorization in Congress.

ISTEA is concerned not only with how goods and people move through the system today but also how that movement will happen 10 or 20 years from now.

1996 Recommendations

Priority # 7

Recommendation # 45: Implement the Vermont Long Range Transportation Plan

The LRTP provides a visionary framework for Vermont's transportation system. It suggests that the future transportation system should reflect Vermont's scale, integrate planning at state and local levels, support downtowns, and discourage strip development. The LRTP states the system should enhance and promote alternatives to automobiles by encouraging the use of various modes of transportation through a connected and coordinated system. These principles are incorporated in AOT's interim Vermont Design Standards and we would like to see them finalized.

As the LRTP is implemented, the Council urges that transportation-related economic development incentives coincide with other programs and policies, including regional economic development priorities. For instance, the state's growth center policy encourages cluster and higher density development. Thus, the Council recommends that transportation funding for regional growth centers and downtowns is emphasized.

The LRTP implies that there is no one concept in mind for this future system. Rather, it will require an ongoing, participatory decision-making process that includes steps for reevaluation. We urge that the transportation advisory committees (TACs) be active players in all regional transportation decisions and in conjunction with their RDCs and local chambers of commerce, identify facilities that are limiting economic development in their regions. AOT can then incorporate its findings in subsequent State Transportation Improvement Plans.

The Council supports an Economic Development Set Aside, which would help make "just in time" transportation investments. The Council recommends an appropriation of \$500,000, to be jointly administered by the AOT and ACCD. These Set-Aside funds should be used in ways that reinforce the state's growth center policy and regional and town plans.

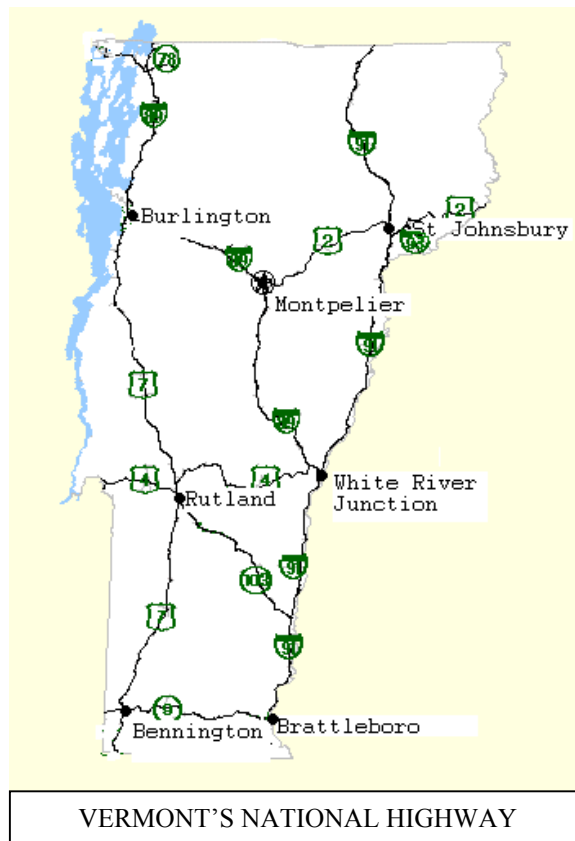
Finally, with federal ISTEA legislation up for review, we ask the AOT to work with our Congressional delegation to support its re-authorization. ISTEA allows for up to 10% of state-received federal transportation dollars to go towards enhancements, such as bikepaths and access to historic structures. ISTEA provides Vermont with greater flexibility to design a future transportation system that meets our changing needs.

Recommendation # 46: Improve the Capacity of Vermont's Most Used Roads and Bridges.

Currently, the vast majority of Vermont's economic activity takes place on roads. While the Council supports the development of alternatives to cars and trucks, we expect that in the near- and mid-term, the condition and efficiency of our roads and bridges will be a key ingredient for economic development.

According to the AOT data, 27% of our roads handle 83% of the traffic. Thus, the Council urges that first priority be given to the busiest routes, particularly National Highway System (NHS) routes that create better north-south access on the western side of the state (Route 7) and the east-west

corridors (Routes 2, 4, 9, 78, 103). We are *not* suggesting building four-lane highways on large stretches of these routes. There are ways to increase the efficiency of roads without making them bigger. Projects need to respect the landscape and character of towns and accommodate, where feasible, bike and pedestrian traffic.



While we recommend an emphasis for upgrades and upkeep on the major routes, the Council has heard that *access* to main routes is also crucial, especially for trucks. This means that secondary roads, feeding into the NHS, must be maintained at an appropriate level. Particularly in the rural areas, these feeder roads may belong to towns. Legislative leaders have advised the Council that the state must send more funds back to the towns for road upkeep.

Through testimony, we learned about a worsening poor condition of our roads and bridges. The AOT suggests that maintaining 100% of our roads and bridges in "good" condition is far beyond funding capacity. However, the economic and safety arguments for well-funded maintenance programs are compelling. In short, if we don't pay now, we pay more later and meanwhile face increased safety risks. The AOT contends that deferred paving creates spending spikes, which are hard to budget for.

According to the AOT's Pavement Management Section's January, 1996 report, recent cutbacks to paving programs are leading to a steep increase in the number of roads in "poor" condition (i.e. noticeable cracks and/or heaves in pavement whereas those in "good" condition show no noticeable *surface* defects.) Under the *current* funding level (about \$27 million per year),

the following Network (i.e., 3200 miles of Interstate, State Highways, and Class 1 Town Highways) Ratings are predicted as follows:

	<u>1996</u>	<u>1998</u>	<u>2000</u>
Percent of Network in —			
“Poor” condition:	42%	58%	71%
“Fair” condition	43%	27%	13%
“Good” condition	15%	15%	16%
 Average Network Condition Rating:			
(0=Poor, 100=Good)	62	56	47

(Source: VAOT January 1996 Pavement Program Report)

In its 1997 Strategic Overview, AOT has set goals of—

- (1) no more than 25% of the Network being in “poor” condition and*
- (2) an Average Network Condition rating of 65.*

The Pavement Program Report indicates that it would be necessary to nearly double the current funding for paving, or raise it by about \$30 million per year, to attain an average Network Condition Rating of 60. While we have not studied the modeling mechanics or confirmed AOT’s assumptions, the message we take from this information is that there is a clear need to look at deferred maintenance decisions.

The above figures relate to the entire 3,200-mile Network. While we strongly support quality roads throughout the state, the Council recommends that AOT maintains these statistics for “priority roads” and that a reasonably high percentage — 80 to 90 percent — of these roads be maintained in “good” condition.

Many of Vermont’s bridges are likewise in need of repair. The AOT 1995 Bridge Strategy Team report indicated 633 of the state’s 2700 bridges were “structurally deficient,” defined as “in very

deteriorated condition and/or incapable of carrying standard highway loadings.” The report also cited 527 bridges as “functionally obsolete,” or bridges “with substandard geometric features, such as narrow width or sharp approach alignment.” Some bridges are both structurally deficient and functionally obsolete. To begin to rectify this situation, the report recommended increased funding of \$10 to \$13 million dollars per year for bridge repair programs.

The Council is concerned about the status of our highways and bridges. Such information is published in national studies and report cards. Transportation infrastructure condition is clearly a factor for those considering moving their businesses to Vermont. However, we are aware that federal standards, not necessarily pertinent to or in character with Vermont, could result in higher-than-realistic obsolescence ratings. This is an additional reason why the Vermont Design Standards should be adopted as soon as possible, so that these standards, rather than a federal template, be used to assess Vermont’s roads and bridges.

To date, the Council has not looked closely enough at the situation to recommend specific funding levels for bridge and highway repairs. An added complication to the funding dilemma is that in order to maximize federal dollars, there is a limit on how much the state can contribute. For example, at some threshold, additional state funding reduces federal moneys, resulting in no more net funds for maintenance. This makes prioritization even more important.

Recommendation # 47: Enhance Air Service

Perhaps no mode of transportation is more important to future economic development than reliable passenger and freight air service. Company expansions and relocations are influenced by airport accessibility. In particular, the Council is committed to reliable and convenient air service between Burlington and Rutland and major cities in the U.S. and Canada.

Nothing in our 1995 report drew more attention than the recommendation to *privatize* (i.e., transfer the title and responsibility to the resident towns) the 10 state airports and use the \$700,000 spent to support these airports to enhance service at Burlington and Rutland airports.

We learned much about the state airports during our public hearings —

- Each airport has the potential to be an economic link within its region, serving businesses as well as general aviation.
- For some airports to reach this potential, however, infrastructure improvements, such as lighting, are needed.
- Most towns in which the airports are located are not in a position to pick up the expense of operating these regional airports.
- Safety issues are involved — in some cases the airports were the only quick access in and out of an area.

We are encouraged that the AOT is currently developing the Vermont Air Policy Plan that will look at, among other things, how the state airports are being used and how to improve their commercial usefulness to the regions. The Council will pay close attention to the findings of the Air Policy Plan, which should be issued for comments in 1997. This Plan is expected to prioritize airport projects that will benefit economic development.



Vermont State, Municipal, and Private Airports

Burlington International Airport (BTV) is New England's fifth busiest airport, boarding over 400,000 passengers a year. It has direct passenger jet service to Chicago, Pittsburgh, and Philadelphia. Turbo prop service connects BTV with Boston, New York, and Washington D.C. While there is great interest in expanding jet service to Burlington, airport officials cautioned that airlines are looking very closely at "load factors" and that carriers will not add jet service if flights are not profitable. Nevertheless, the Council feels much can be gained by a concerted and coordinated effort to attract more service, and recommends that the Air Service Task Force, convened by the Agency of Commerce and Community Development, conduct a joint study with Burlington International Airport to explore options with domestic and Canadian carriers for better service to major U.S. and Canadian population centers.

Recommendation # 48: Improve Regional and Cross-Border Travel

Vermont is not an island. It is important that Vermont's highways are appropriately linked to the highways of our neighboring states and the Province of Quebec. We urge AOT to continue to work through the New England Transportation Initiative (NETI), the Eastern Border Transportation Coalition, the Northeast Governors' Association, and the Province of Quebec to meet this objective. Of note is the recent upgrade at the Highgate customs station, which will facilitate commerce between Canada and Vermont.

Recommendation # 49: Strengthen Vermont's Rail Freight Capabilities

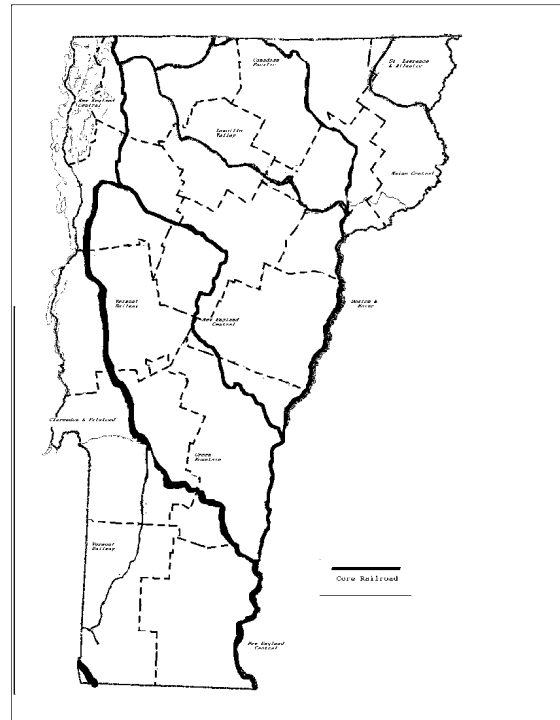
Freight and passenger rail service are both important to Vermont's economy. While passenger service receives more media attention, it is freight service that provides the track for passenger rail.

Vermont should strengthen its freight rail capabilities by encouraging "double stack container services." This method raises the efficiency of a rail car dramatically. Since double stacking increases the height of the train, existing bridges and tunnels may limit service. Vermont's rail route from Canada to Massachusetts (New England Central Railroad track) has only one barrier to double stacking — the tunnel at Bellows Falls. Thus, the Council recommends that the necessary review work be done to determine the feasibility and cost of increasing the clearance (either by lowering the tunnel or raising the ceiling) and widening the tunnel to enable uninterrupted double stack container service from Vermont to Montreal, Boston, and New York.

The development of truck-to-track-to-truck facilities will not only provide more flexible shipping options but also help reduce shipping weight on state roads. Thus, the Council also supports the reinstatement of the rail siding match program to further this goal.

The Council supports expanded passenger rail service as ridership of existing lines warrant it. We urge ongoing support of the Amtrak Vermonter and commuter rail service from Charlotte to Burlington. Passenger rail service from New York City through Albany and Whitehall to Rutland began operations in November and an additional line from Rutland to Burlington looks promising. One funding issue that must be faced in looking at expanded service is that the quality of the track required for passenger service must often be better than that used for freight.

Safety is a prime concern for all rail service. In particular, rail crossings must be clearly marked, signaled, and gated (where gates are needed) and maintained at a level that allows for smooth crossings.



Vermont Rail Systems

<i>Recommendations</i>	<i>Recent History</i>	<i>Action Steps During 1997</i>	<i>Action Steps During 1998</i>	<i>Action Steps 1999 to 2006</i>	<i>Indicators</i>
<i>Policy Area Seven: A State Transportation System That Supports Economic Development</i>					
45. <u>Priority #7</u> Implement the Vermont Long Range Transportation Plan, with priority given to those aspects of the Plan which will best advance economic development.	<p>1995: The Long Range Transportation Plan (LRTP) was issued by the Agency of Transportation in August, following release of a draft in March and an extensive public hearing process.</p> <p>1996: AOT announced that planned but unstarted projects would be reassessed under the criteria of the LRTP and those no longer deemed appropriate removed (i.e. “pruned”) from the list of scheduled projects.</p>	<ul style="list-style-type: none"> Each regional transportation advisory committee (TAC) identifies where inadequate transportation facilities in their regions are limiting economic development. The TACs issue their reports to AOT and the RPCs. Regional TACs prioritize the AOT work program taking into account the potential effect of projects on economic development in their regions. Legislature appropriates \$500,000 for an Economic Development Set-Aside, administered jointly by AOT and ACCD. AOT works for re-authorization of Federal ISTEA legislation. 	<ul style="list-style-type: none"> RPCs, TACs, and AOT work together to develop plans to address limiting facilities in their regions for inclusion in the next State Transportation Improvement Plan (STIP). Regional TACs prioritize the AOT work program taking into account the potential effect of projects on economic development in their regions. Economic Development Set-Aside projects done. 	<ul style="list-style-type: none"> Legislature adopts a plan by the year 2000 which incorporates projects to address the identified limiting facilities. Regional TACs annually prioritize the AOT work program taking into account the potential effect of projects on economic development in their regions. Economic impact of Economic Development Set-Aside assessed. 	3(b)
46. Improve the capacity of roads <i>most</i> important to state-wide travel, including US 2, 4, 7, and VT 9, 78, and 105, and those of regional priority.	AOT performs ongoing analysis of Level of Service of major roads in Vermont and uses this information in developing its bi-annual State Transportation Improvement Plan (STIP).	<ul style="list-style-type: none"> AOT continues to gather input from RPCs and their Transportation Advisory Committees on needed projects and efficiency programs. AOT determines which roads should be classified as priority roads. 	<ul style="list-style-type: none"> Continued RPC/TAC input. Begin design and review of proposed projects and efficiency programs. AOT projects the cost to maintain each of the priority roads in “good” condition. 	<ul style="list-style-type: none"> AOT constructs projects and implements efficiency programs. Rating of priority roads tracked. Budget allocations set to maintain a high percentage of the priority roads in “good” condition. 	3(b) 35 36 39 74 75 76
47. Enhance air freight and passenger service	1995: VEPC recommended that the 10 state airports be	<ul style="list-style-type: none"> Air Service Task Force in consultation with AOT and 	<ul style="list-style-type: none"> Air Service Task Force and BTV gain commitments from 	<ul style="list-style-type: none"> Air service into Burlington monitored by AOT. 	3(b) 35

<i>Recommendations</i>		<i>Recent History</i>	<i>Action Steps During 1997</i>	<i>Action Steps During 1998</i>	<i>Action Steps 1999 to 2006</i>	<i>Indicators</i>
	to Vermont.	<p>“privatized” and that the money saved be used to increase air service into Burlington and Rutland.</p> <p>1996: (1) ACCD convenes Air Service Task Force as mandated by the 1996 Financial Services Bill. (2) ACCD and Burlington International Airport fund a joint study of air service needs and options. (3) AOT issues Request for Proposal for a Vermont Air Policy Plan study.</p>	<p>Burlington Airport officials, makes recommendations for improved service at BTV.</p> <ul style="list-style-type: none"> AOT gathers public comment on the Vermont Air Policy Plan, drafted by Summer, 1997. The Plan should include: (1) suggestions for the most efficient way to manage the Vermont state airports, and (2) a list of prioritized investments that will enhance economic development. 	<p>carriers for increased service into Burlington.</p> <ul style="list-style-type: none"> AOT develops an implementation plan for the Vermont Air Policy Plan. The implementation plan is put out for public comment. After public comment, a revised plan is presented to the Legislature. 	<p>monitored by AOT.</p> <ul style="list-style-type: none"> Legislature appropriates funding for airport infrastructure improvements according to the Vermont Air Policy Plan, as adopted by the Legislature. 	36 73
48.	Work with other states and provinces to improve regional and cross-border travel.	<p>1994 & 1995: VEPC has recommended regional and Canadian discussions to improve travel.</p> <p>AOT and ACCD have been ongoing participants in the NETI process.</p>	<ul style="list-style-type: none"> AOT, Legislature, and Governor work with Canadian and Quebec authorities to develop plans to improve Canadian Route 133, border crossing access and efficiency, and rail access. 	<ul style="list-style-type: none"> Governor, Legislature, and AOT strongly urge against border crossing fees. Involve our Congressional Delegation in this effort. 	<ul style="list-style-type: none"> Continued discussions with Canadian and Quebec officials. 	3(b) 35 36
			<ul style="list-style-type: none"> AOT continues to actively participate in NETI to develop a specific regional plan for U.S. Routes 2 and 4 as East-West transportation corridors. 	<ul style="list-style-type: none"> Rail access plan approved by Federal and Canadian officials. NETI continues to develop plans for U.S. Routes 2 and 4. 	<ul style="list-style-type: none"> Rail access plan implemented. Regional plan for U.S. Routes 2 and 4 implemented. 	
49.	Strengthen Vermont’s rail freight capabilities.	<p>1995: VEPC recommended planning begin on the tunnel at Bellows Falls.</p>	<ul style="list-style-type: none"> AOT does feasibility study and conducts public hearings for increased clearance of the rail tunnel at Bellows Falls for double-stack container service. 	<ul style="list-style-type: none"> If feasibility study warrants moving forward, plans are evaluated and funding proposal developed for better clearance at the Bellows Fall tunnel. 	<ul style="list-style-type: none"> Bellows Falls project is completed, if warranted. 	3(b)

Policy Area Eight
***Science and Technology Initiatives
 That Stimulate Economic Growth***

Introduction

The Vermont Science and Technology Plan (Plan), originally published December, 1994 and updated in December, 1996 by the Vermont Technology Council, is the basis for the recommendations in this section. The centerpiece of the Plan is the development of *Centers of Excellence* that build on the existing strengths and resources in Vermont to create future growth and development, and *Infrastructure Initiatives* that support research to develop innovations with commercial potential or to offer technical assistance in bringing these innovations into the market.

We are also aware of an exciting development in Franklin County, the Vermont Science & Education Center (VSEC). While we have not included a specific recommendation regarding VSEC, we are in full support of this unique venture. VSEC is a nonprofit business that will perform contract testing services for the agricultural, specialty foods, and pharmaceutical industries and is expected to be operational by July, 1997. VSEC will train students in microbiology and analytical testing and quality assurance. It will serve as a teaching laboratory, offering the type of applied education and technical experience businesses in these industries are looking for in their workforce. VSEC will meld science, technology, industry, and education.

The development of science and technology is a statewide objective. While the initiatives noted above are centered in the Northwestern part of the state, extensions of these ventures and similar or new ventures should be looked at in other regions, too.

1996 Recommendations

Priority # 10

Recommendation # 50: Ongoing Planning for Science and Technology

In 1993, Governor Dean issued an Executive Order empowering the Vermont Technology Council “to propose a vision and fundamental plan for science and technology within Vermont.” The Executive Order cited the need for a vision that —

1. Builds on our research infrastructure
2. Seeks out centers of technical competence
3. Identifies potentially successful generic areas for national and international competition
4. Utilizes and stresses the full capability of our excellent higher education resource
5. Addresses the relevance of educational initiatives at all levels
6. Adapts skill development and retraining to future needs
7. Promotes entrepreneurship
8. Provides for the development of high-quality, challenging, and fulfilling jobs for present and future Vermonters

The Executive Order also asked the Technology Council to devise a methodology that would determine science and technology policy priorities.

In updating its 1994 Plan, the Vermont Technology Council continues to take the lead for science and technology planning for the state. The operations of the Vermont Technology Council have been fully underwritten by the private sector with staffing provided by volunteer professionals and Vermont EPSCoR. In early 1997, the Council will hire a full-time executive director to help implement the Science & Technology Plan.

The Technology Council is developing evaluation measures to gauge whether it is meeting its objectives. We suggest that this work be coordinated with the benchmarking work discussed in Policy Area Nine.

Recommendation #51: Development of the Centers of Excellence

Significant progress was made in 1996 to bring three of the four proposed *Centers of Excellence* on line —

1. The Center for Food Science
2. The Partnership of Environmental Technology and Science
3. The Applied Biotechnology Center

The fourth *Center*, the Advanced Materials Technology Center, remains in the planning stages.

Vermont Center for Food Science

The Center for Food Science (VCFS), a nonprofit corporation housed at UVM, was formally launched in 1996. Its mission is to provide research and development expertise, technical assistance, and basic education about food processing and safety in support of Vermont's food processing industry. A major emphasis is being placed on guiding the industry to adopt strategies aimed at adding significant value to its products.

To follow through on its mission, VCFS will construct a complete food processing pilot facility. This facility will be designed to maximize flexibility, with necessary equipment moved into the facility for a particular project and then removed to make space for the next project's set up.

In addition to the pilot processing facility, VCFS will house a pilot dairy processing plant, an analytical laboratory for nutritional, contamination and regulatory testing, meeting space, and offices.

Dairy is Vermont's major agricultural industry. More than 70 percent of Vermont's farm receipts are from milk sales. Vermont produces about 55 percent of New England's milk supply. Accordingly, VCFS will work in concert with the Northeastern Dairy Food Research Center, also located at UVM.

Partnership of Environmental Technology and Science

The Partnership of Environmental Technology and Science (P.O.E.T.S.) was formed to promote and support environmental science and research, and the commercial and industrial application thereof. It has identified six clusters of environmental technology with significant promise for stimulating industry and job creation in Vermont. They are environmental design, analysis, education, research, implementation technologies and sustainable systems. To date, the activities of P.O.E.T.S. have been focused on three broad technology areas — bioenergy, living systems, and environmental analysis.

P.O.E.T.S. is drawing up plans for a proposed Eco-Park in Burlington's Intervale that would link bioenergy, living systems, and sustainable agriculture technologies.

With a grant from the U.S. Department of Energy, P.O.E.T.S. is drawing up plans for a proposed Eco-Park in Burlington's Intervale. This park would link bioenergy, living systems, and sustainable agriculture technologies and provide space and opportunities for research and development as well as business incubation and development. Additional federal government partners may eventually participate in this project.

P.O.E.T.S. has also created an on-line database of environmental researchers, practitioners, and businesses. This database is intended to be an interactive resource for business and industry and will be updated regularly.

Other P.O.E.T.S. activities in 1997 will include (1) identifying research activities that have potential to lead to commercially viable products or processes, (2) sponsoring classroom instruction in environmental technologies and promoting an international symposium focused on ecological design, to be held in Vermont in the fall of 1997, and (3) securing operating and capital funds to implement it goals.

Applied Biotechnology Center of Vermont (ABCV)

Incorporated in 1996, ABCV's business plan is modeled after the Massachusetts Biotechnology Research Institute (MBRI) in Worcester, which manages technology transfer activities, new enterprise formation, incubator space, entrepreneurial assistance programs, and venture capital funds. The MBRI experiment has shown that considerable start-up capital is needed to get companies to an investor capital stage. Thus, ABCV sees the need for developing sources of seed capital as a priority task.

ABCV's first stage of development will be to organize business support programs for *existing* biotechnology start-up companies to ensure their long-term survival and growth. Enabling entrepreneurs to concentrate on the core mission of their companies, services will include legal, accounting, marketing, regulatory, and financing programs. To date, three life-science start-up companies have been provided with pro-bono services through Vermont's professional community. ABCV is also negotiating for product development and manufacturing space.

The second stage of development will be the formation of *new* biotechnology companies using research results from the UVM College of Medicine and other regional research institutions. ABCV's inventory of UVM's research activities has identified several promising technology candidates ready to be commercialized and has obtained a commitment of support from the College of Medicine to proceed. The Center is also working with several entrepreneurs to establish business start-up plans.

Recommendation # 52: Science & Technology Infrastructure Initiatives

Vermont EPSCoR

The current round of the Vermont Experimental Program to Stimulate Competitive Research (EPSCoR) program has proved itself highly successful in nurturing research and development within Vermont. In FY 96, only \$200,000 of EPSCoR's total budget of \$5.0 million was contributed by the state of Vermont. The return on investment is significant, with about \$10 million coming into the economy since 1993 as a result of research grants and contracts brought into the state through EPSCoR's efforts.

Four research areas are organized into research clusters which bring researchers from various backgrounds together to work towards common goals. There is significant interaction between EPSCoR-sponsored researchers and the *Centers for Excellence*. EPSCoR also sponsors research projects at eight Vermont colleges as well as a High School Outreach Program, that brings teachers into college laboratories during the summer.

EPSCoR has been active with the Small Business Innovation Research Program (SBIR), which offers federal grants for research on

Vermont EPSCoR created the concept of a Phase 0 SBIR program which has now been adopted nationally.

new applications of technology. Vermont EPSCoR created the concept of a Phase 0 SBIR program, which provides funding towards preparing a competitive grant request. This program has now been adopted nationally.

Vermont Manufacturing Extension Center

The Vermont Manufacturing Extension Center (VMEC) was formed in 1995 and is part of a growing nationwide network of 60 manufacturing extension centers, all of which are affiliates of the Manufacturing Extension Partnership (MEP). The centers are designed to assist smaller manufacturing firms adapt to modern technologies and

production methods. A range of services includes consulting on technology applications and business practices. VMEC benefits from MEP's network of 700 partnerships with federal agencies, national associations, laboratories, educational institutions, and industry.

VMEC is a private nonprofit corporation directed by the Vermont Technology Council in cooperation with the Vermont Department of Economic Development and the Vermont SBDC. It is headquartered at Vermont Technical College in Randolph with satellite offices at the Burlington and Rutland RDCs. VMEC was awarded a six-year operating grant from the National Institute of Standards and Technology (NIST) totaling \$3,040,000. Matching funds are expected from the state, Vermont businesses, and the Vermont State Colleges. Last year \$175,000 was appropriated from the General Fund, and we recommend continuing this funding throughout the NIST grant period. It is intended that at the end of this grant period, VMEC will be self-sustaining from fees for service.

Through August, 1996, VMEC staff worked with 91 Vermont manufacturing firms on a range of projects. It also airs educational seminars over Vermont Interactive Television on topics such

as ISO-9000 standards, environmental practices, clean air compliance for wood manufacturers, and recovery techniques from waste streams.

Patent and Trademark Depository and Library

The Council endorses the establishment of a patent and trademark depository library, so that full-scale searches may be accomplished within Vermont. We are one of the few states that has not established such a facility, which is an essential resource for researchers, inventors, and intellectual property developers. This facility is scheduled to be opened by March, 1997 at Bailey-Howe Library at UVM. The final hurdle is to raise \$150,000 to buy materials required to become a federally designated library.

Technology Transfer

The reason for technology research is to apply it to practical uses. In this way, research will bring benefits of discoveries to the public, and enhance economic opportunities for Vermonters. A technology transfer program was established at UVM and the Technology Transfer Fund was created to enhance the University's capacity to patent, license, and facilitate technology transfer.

<i>Recommendations</i>		<i>Recent History</i>	<i>Action Steps During 1997</i>	<i>Action Steps During 1998</i>	<i>Action Steps 1999 to 2006</i>	<i>Indicators (1)</i>
<i>Policy Area Eight: Science and technology initiatives that stimulate economic growth</i>						
50.	<i>Priority #10</i> Ongoing emphasis on science & technology planning by the VT Technology Council.	The Vermont Technology Council issued the Vermont Science and Technology Plan in 1994. In December 1996, an update of the Plan was released.	<ul style="list-style-type: none"> Continue to implement the VT Science & Technology Plan. Link the evaluation systems used to track progress on science and technology initiatives with other statewide benchmarking efforts. 	<ul style="list-style-type: none"> Continue to implement the VT Science & Technology Plan. Link the evaluation systems used to track progress on science and technology initiatives with other statewide benchmarking efforts. 	<ul style="list-style-type: none"> Continue to implement the VT Science & Technology Plan. Link the evaluation systems used to track progress on science and technology initiatives with other statewide benchmarking efforts. 	3 67 77 78 79
51	<i>Develop the Centers of</i>	In 1995, VEPC	<ul style="list-style-type: none"> VCFS opens its offices, food 	<ul style="list-style-type: none"> VCFS completes its offices and 		3(c)

<i>Recommendations</i>		<i>Recent History</i>	<i>Action Steps During 1997</i>	<i>Action Steps During 1998</i>	<i>Action Steps 1999 to 2006</i>	<i>Indicators (1)</i>
A.	<i>Excellence:</i> The Vermont Center for Food Science acts as a catalyst for expansion of the food processing industry in Vermont.	recommended that the VCFS Board identify funding sources and projects and plans for satellite locations around the state. VCFS was formally launched in 1996 as a free-standing non-profit corporation housed at UVM.	and dairy processing pilot and analytical facilities, develops interactions with local industry, and establishes ties with NDFRC. • Technology Council staff helps VCFS secure funding. • VCFS Board adopts strategy for the expansion of Vermont's food processing industry.	facilities begun in 1996. • Longer-term funding for VCFS secured. • Strategy implemented.	• Strategy revised. Consider establishing satellite sites in other parts of the state.	43
51 B.	<i>Develop the Centers of Excellence:</i> The Partnership of Environmental Technology and Science stimulates, creates, and expands the economic base in utilizing environmental technologies and expertise.	In 1995, VEPC recommended that P.O.E.T.S. be established and that the Board develop its plan and identify funding sources. P.O.E.T.S. was incorporated in 1995 as a free-standing non-profit housed at UVM.	• P.O.E.T.S. develops an environmental design course to be taught at UVM. • P.O.E.T.S. works with Burlington Electric, the City of Burlington, and the Intervale Foundation to develop funding for an ECO - Park in the Intervale.	• P.O.E.T.S. Board identifies other courses, programs, and projects that fit under its major focus areas. • ECO-Park funded.	• P.O.E.T.S. Board identifies other courses, programs, and projects that fit under its major focus areas. • ECO-Park plan implemented.	77 78
51 C.	<i>Develop the Centers of Excellence :</i> Applied Biotechnology Center of Vermont (ABCV) acts as catalyst for expansion of the bio-tech industry.	In 1995, VEPC recommended that ABCV identify funding sources and projects. ABCV was formally launched in 1996 as a free-standing non-profit corporation.	• ABCV organizes business support programs for <i>existing</i> biotechnology start-up companies. • Inventory of biotechnology-related research at UVM and regional institutions completed.	• ABCV continues to organize business support programs for <i>existing</i> biotechnology start-up companies. • Identify business start-up candidates based upon biotechnology research inventory.	• ABCV develops an ongoing network for business support programs for <i>existing</i> biotechnology start-up and growth companies. • ABCV forms new biotechnology-oriented companies based on the transfer of research results from the UVM College of Medicine and other regional research institutions.	77 78
51 D.	<i>Develop the Centers of Excellence:</i>	In 1995, VEPC recommended that an	• Vermont Technology Council develops a plan for AMTC.	• Vermont Technology Council further develops plan and	• Funding secured and advanced materials projects begun.	77 78

<i>Recommendations</i>		<i>Recent History</i>	<i>Action Steps During 1997</i>	<i>Action Steps During 1998</i>	<i>Action Steps 1999 to 2006</i>	<i>Indicators (1)</i>
	<i>Excellence:</i> Establish the Advanced Materials Science Center.	advanced materials Center of Excellence be established.	develops a plan for AMTC.	funding for AMTC.	materials projects begun.	78
52.	Develop infrastructure initiatives as recommended by the Vermont Science & Technology plan.	<p>In 1994, VEPC recommended \$250,000 of funding for EPSCoR.</p> <p>In 1995, VEPC recommended \$200,000 of EPSCoR funding and \$175,000 for the Manufacturing Extension Center, expansion of the technology transfer program at UVM, and establishment of a Vermont Patent Office.</p>	<ul style="list-style-type: none"> Expand the technology transfer program at UVM. Provide \$175,000 of funding for the Manufacturing Extension Center at Vermont Technical College to match federal NIST grant. Level fund EPSCoR at \$200,000. EPSCoR continues to support the Small Business Innovation Research Program. Vermont Patent and Trademark Depository and Library established at UVM. 	<ul style="list-style-type: none"> Expand the technology transfer program at UVM. Provide \$175,000 of funding for the Manufacturing Extension Center at Vermont Technical College to match federal NIST grant. Continue to fund EPSCoR at \$200,000 (its final year under the federal program). Develop a plan for a new EPSCoR infrastructure initiative. EPSCoR continues to support the Small Business Innovation Research Program. Vermont Patent and Trademark Depository and Library becomes a federally designated library. 	<ul style="list-style-type: none"> Expand the technology transfer program at UVM. Provide \$175,000 of funding through year 2001 for the Manufacturing Extension Center at Vermont Technical College to match Federal NIST grant. Implement plan for the Vermont EPSCoR infrastructure initiative to carry on EPSCoR's work. Vermont Patent and Trademark Depository and Library tracks number of patents issued to Vermonters. 	77 78 79

(1) See Part III, Vermont Indicators, for measures most directly related to these recommendations.

Policy Area Nine

An Efficient and Effective State Government

Introduction

Vermont state government needs to be run so that it gets the job done (effective) with the least amount of resources (efficient) while addressing the issues most important to Vermonters. It should function as a catalytic agent for action, which is how this policy area relates to economic development. Industry will create most of the jobs but government policies and the effective delivery of programs can help the private sector create those jobs. In fulfilling its role, state government can expand its use of strategic planning processes, including a selective, or *tactical*, implementation of policies. These should be carried out by an increasingly integrated, well-designed system of governance that communicates internally and externally.

The Council feels that a statewide benchmarking process, reauthorization of the State Planning Director, continued restructuring efforts, and instituting the four-year term for statewide elected officials will all help Vermont state government run better.

Priority #11

Recommendation # 53: Study of Statewide Benchmarking

Benchmarking is a re-engineering tool that can help meet the demand for increased accountability in government. A well-designed benchmarking process can provide consistent and reliable, objective information about the status of our economic, social, cultural, and environmental systems. This information can help forge greater cooperation among all the stakeholders and serve to transcend partisan politics on major policy issues by providing a more rational framework for the allocation of public funds.

The concept of states using indicators and benchmarks for assessment purposes is not new. The most notable examples of states employing benchmarking in their state planning processes are Oregon (*Oregon Benchmarks*) and Minnesota (*Minnesota Milestones*).

The Benchmarking Process

(Which provides information that feeds a decision-making process leading to an efficient and effective use of resources)

1. *Economic, social, cultural, and environmental outcomes (i.e., overriding objectives) are chosen through broad-based input.*
2. *Indicators are selected that describe and reflect critical economic, social, cultural, and environmental conditions.*
3. *Data is gathered for the selected indicators in order to establish a baseline against which to measure progress.*
4. *After reviewing the current status of the selected indicators, benchmarks (i.e., targets or goals with a timeline) are established through a public process for each indicator.*
5. *Data is compiled and analysis performed to see how the current status of selected indicators compares to agreed-upon goals.*
6. *Policies are made and resources allocated to support attainment of desired outcomes.*

Terms Used to Describe Benchmarking:

Outcome: An overriding objective. For example, “All Vermonters having an opportunity to earn a living wage,” or “Children choosing healthy behaviors.”

Indicator: A specific measure that relates to an overriding objective. For example, “Percent of the average Vermont wage to the national average” (and how Vermont ranks nationally), or “Teen pregnancy rate.”

Benchmark: The target, goal, standard, or measure of success for an indicator. For example, an “Average Vermont wage of 100% of national average,” an “Unemployment rate of 4.0% or lower,” or a “Teen pregnancy rate of below 10 per 1,000 18-year olds.”

Possible Applications of Benchmarking in Vermont

Three broad, interrelated potential applications of benchmarking in Vermont include —

1. Measure progress toward reaching goals and objectives established by VEPC (1994-1996), the Grafton Retreat (1993), and the Governor’s Commission on the Economic Future of Vermont (1989).
2. Track the overall efficiency of service delivery by state and local program providers through the use of accountability measures, and provide that information to the Governor, Legislature, and state entities to assist them in making budgetary decisions. (Vermont state statute currently requires that state entities develop *performance measures*, including output and outcome indicators.)
3. Better coordination of existing and emerging benchmarking efforts around the state through standardization of data collection, processing, and reporting.

The potential implications of instituting benchmarking as a decision-making tool are vast. However, this will require substantial work to develop agreement on goals, objectives, and the appropriate indicators to measure. Only then can benchmarking function as a feedback mechanism that will help with budgetary decisions.

Discussions About/Progress Made on Benchmarking in Vermont

In our 1995 report, we stated our intention to expand the indicators section and include more goals for selected indicators. This led to a number of meeting with various state agencies, departments, councils, and boards, as well as regional planning commissions and community-based initiatives interested in developing benchmarking systems.

We learned that there is considerable benchmarking-related activity underway within the state. For instance, departments and divisions in the Agencies of Human Services and Natural Resources and the Department of Education have expended much effort to develop statewide measures and goals for indicators pertinent to their respective missions. In 1996, the Human Resources Investment Council (HRIC), working with its member agencies and departments, revised its Accountability Indicators (see Appendix E) and is collecting data for them. In addition, considerable ongoing work is being done by The Vermont Children’s Forum, which produces a comprehensive report called *Kids Count*, and three regional efforts looking at indicators of community health: the *Upper Valley 2001 and Beyond*; the *Champlain Initiative*; and the Northeast Kingdom’s *Sustainable Rural Development Project*. This is not a complete list — many other organizations and government entities are involved in these processes.

We also reviewed several recently prepared reports: *Pulse of Vermont: Quality of Life Studies, 1990 and 1995* (Vermont Business Roundtable); *Indicators for Vermont* (UVM Environmental Programs in Communities); and *Report Card for Vermont* (National Wildlife Federation). These studies each proposed key indicators that should be watched.

Based on these discussions and reports, it appears that most efforts have focused on specific types of indicators, such as social or environmental measures, and that less has been done on broad-based economic indicators. There were also a number of questions and issues raised that the Council decided needed to be answered, or at least more fully identified, before a benchmarking effort could be started:

1. What is and has already been done in Vermont and the nation with benchmarking?

- Who is using benchmarking and what are their sources of data?
- How have benchmarking models worked in other states? What are the problems other states (e.g., Oregon) have faced? What models might best apply to Vermont?

2. What might be the *primary* objectives of a statewide benchmarking effort?

- What outcomes are sought?
- What mechanism can be created to best allocate the resources to reach the desired outcomes?

3. How can statewide, regional, and local perspectives be included and balanced?

- Should regions organize on their own or be facilitated by a central management?
- How will local and regional information be aggregated to statewide measures?
- How can broad-based, grassroots input be assured?

4. What type of structure should be used and what is a realistic time frame to establish and employ a benchmarking process?

- What sponsors, “champions,” and alliances are needed to get the process started *and* keep it going?

- What will the cost be and what will be the source of sustained funding?
- How can work being done within Vermont be applied? How will these efforts work with/benefit from a statewide benchmarking effort?

To answer these questions, the Council is currently participating in a study funded by the Vermont Council on Rural Development (VCRD) to determine the feasibility of undertaking benchmarking in Vermont. Since Oregon is an oft-mentioned model of benchmarking, the study will include a specific review of that state’s efforts, including an analysis of problems the Oregon Progress Board is currently facing.

The Council and the VCRD will involve a large number of people and groups in the study. The findings of the study, along with recommendations on whether and how to proceed with benchmarking is expected to be released by the Fall of 1997.

Recommendation #54: State Planning Director

The position of State Planning Director, who oversaw the State Planning Office and was housed in the Governor’s office, was eliminated in the 1991 budget cuts. The Planning Office analyzed economic and political impacts of proposed policies and sought the perspective of affected state agencies and departments. Currently, there is a two-person Office of Policy Research and Coordination which essentially serves a liaison function between the Governor’s Office and the rest of state government. As a result, integrated mid- and long-range economic planning has suffered.

The Vermont Economic Progress Council partially fills this void. However, the Council is designed to function as an *independent* body and gather input from varying interests around Vermont. In this role, it does coordinate with the Governor’s Office and state agencies and departments. But with limited resources and a mandate to cast a broad net, the Council is not able to work through all the

implementation details of initiatives. The Council and the State Planning Director would collaborate on developing a policy agenda.

We recommend that this position be reinstated and housed in the Governor's office, supplemented by administrative assistance and economic research tools provided by the Agency of Administration.

Recommendation # 55: Continued Reorganization of State Government

There is a great deal of interest both within and outside of state government for a cost-effective delivery of services. And while opinions vary on how *well* the system is presently functioning and how *much* government should be doing, few would argue that Vermont state government can run better. In this spirit, the Legislature created a committee under H. 806 to study the restructuring of the functions and structure of state government. The committee includes two representatives each from the House and Senate, including the chairs of the Government Operations Committees, four Governor appointees from the private sector, the Vermont State Employees Association, the Secretary of Administration, and the Commissioner of Personnel. The Council urges this committee to consider three interrelated issues/questions in its deliberations —

1. What is the perceived level of satisfaction with state services?
2. Is the demand for state services being met?
3. Will the demand for services and the quality of those services be affected by reductions in the state workforce?

We hear that most agencies and departments have exhausted ways to absorb more across-the-board cuts and that further reductions will require elimination of entire programs or functions. Thus, we also suggest that any recommendations for further cuts be accompanied by directives of which programs to eliminate.

It is worth noting that many corporations have discovered that the largest benefit of restructuring, or re-engineering, has been an

increase in the efficiency and effectiveness of their operations, and that personnel cuts have sometimes been neither necessary nor desirable.

The Council believes we should take a closer look at *how* state government is serving its constituents. Customer-type surveys may be useful, and several departments already conduct them. Surveys should be designed to gauge how satisfaction with services has changed over the past several years. Service goals should be established or refined, indicators selected and then measured to track progress towards reaching those goals.

Finally, we are concerned about the impacts of further personnel cuts on services and recommend that proposals include the projected impacts, including potential long-term costs, in addition to the immediate dollar savings from cuts.

Recommendation # 56: Four-Year Term

A resolution supporting a Constitutional referendum for four-year terms for Governor and statewide elected officials passed the Senate in 1996. A vote was not taken in the House. Rules for constitutional amendments dictate that the proposal cannot be reintroduced before the 1999 session.

The Council remains committed to building support for this important measure over the next three years. We think it will be useful to gather more data on the experience of other states that have recently switched to a four-year term, and then in 1998 to begin building a coalition of support for reintroduction in the 1999 session.

Longer terms are seen as a step towards greater predictability and continuity in state policy making and implementation. This will result in an improved business climate.

Our reasons for supporting the four-year term —

- ***Efficiency in government.*** State government is becoming increasingly complicated and a longer planning cycle is crucial.

- **Attracting and keeping high quality public servants.** Four-year terms provide greater incentives for people to interrupt private sector careers and/or to relocate.
- **Campaigning rarely stops.** Tough, complex decisions are often politically risky. In an always-campaigning arena, the tendency is towards “quick fixes” that are politically attractive.
- **Let the people decide.** The four year term was defeated in the 1974 general election, 52 to 48 percent. A statewide referendum will give Vermonters a *current* opportunity to debate this important issue.

Recommendations	Recent History	Action Steps During 1997	Action Steps During 1998	Action Steps 1999 to 2006	Indicators (1)
Policy Area Nine: An efficient and effective state government					
53. <u>Priority #11</u> Consider the use of benchmarking as a tool to assist Vermont in (1) reaching its economic, social, cultural, and environmental goals, (2) improving the efficiency and effectiveness of government services, (3) standardizing regional and local data collection and reporting.	<p>1993-1996: VEPC and VPEP included preliminary indicators in their annual reports.</p> <p>In recent years, various state agencies and departments have been developing performance-based measures.</p>	<ul style="list-style-type: none"> • VEPC participates in six-month study funded by the Vermont Council on Rural Development to determine the feasibility of using benchmarking as a policy tool in Vermont. A report with recommendations issued by September, 1997, as to whether and how to proceed. • VEPC’s annual report includes a “scorecard” of indicators designed to measure Vermont’s economic, social, cultural, governmental, and environmental systems. 	<ul style="list-style-type: none"> • If warranted by the 1997 study, a benchmarking process is authorized by the Legislature. • VEPC’s annual report includes goals (as established by the benchmarking process) for indicators designed to measure Vermont’s economic, social, cultural, governmental, and environmental systems, and reports on progress made toward meeting those goals. 	<ul style="list-style-type: none"> • If authorized in 1998, a benchmarking process would lead to bi-annual reports by September 1 in each even year, starting with the year 2000. Annual updates of most critical indicators as of December 1 in each odd year to assist the Legislature in making budgetary decisions. • VEPC’s annual report includes goals (as established by the benchmarking process) for indicators designed to measure Vermont’s economic, social, cultural, governmental, and environmental systems, and reports on progress made towards meeting those goals. 	<p>1 2 3(I) 9 to 16 18 49 52 54 63 71 72 75 76</p>
54. Re-authorize the position of State Planning Director.	<p>New VEPC recommendation this year.</p>	<ul style="list-style-type: none"> • Position authorized for State Planning Director in the Governor’s Office of Policy Research and Coordination. 	<ul style="list-style-type: none"> • VEPC collaborates with State Planning Director as it develops its legislative agenda. 	<ul style="list-style-type: none"> • VEPC collaborates with State Planning Director as it develops its legislative agenda. 	
55. Continue the reorganization of state government in	<p>1993 & 1994: VPEP and VEPC recommended an increase in the effectiveness</p>	<ul style="list-style-type: none"> • Legislative Committee charged by H. 806 with providing recommendations for re- 	<ul style="list-style-type: none"> • Recommendations made in 1997 by the Legislative Committee are reviewed and appropriate 	<ul style="list-style-type: none"> • The effects of restructuring are tracked and an assessment of changes is periodically made. 	<p>48</p>

<i>Recommendations</i>		<i>Recent History</i>	<i>Action Steps During 1997</i>	<i>Action Steps During 1998</i>	<i>Action Steps 1999 to 2006</i>	<i>Indicators (1)</i>
	state government in order to maximize efficiency and constituent satisfaction.	<p>of government through reorganization. Department of Personnel has spearheaded this effort.</p> <p>1995: VEPC incorporated the reorganization concept in its benchmarking recommendation.</p>	<p>engineering state government by January, 1997. Time-line developed for the re-engineering of state government.</p> <ul style="list-style-type: none"> • Compile customer surveys already done by state entities. 	<p>administrative changes implemented.</p> <ul style="list-style-type: none"> • Customer surveys are done by all state entities with significant public contact. • Indicators of satisfaction and goals for those indicators established. 	<ul style="list-style-type: none"> • Customer surveys done at least every three years to gauge the level of satisfaction with state services. • Indicators established in 1998 tracked. 	
56.	Adopt a four-year term for the Governor, statewide officers, and state senators.	<p>1993: VPEP recommended four-year term for all statewide officials, Senators, and 50% of Representatives.</p> <p>1994: VEPC recommended four-year term for all statewide officials, Senators, and Representatives.</p> <p>1995: VEPC recommended four-year term for all statewide officials and Senators only.</p>	<ul style="list-style-type: none"> • Legislative aides to House and Senate Government Operations Committees gather information from other states and do further research on potential benefits of a four-year term. 	<ul style="list-style-type: none"> • Legislature sponsors non-binding vote in general election to gauge extent of support. If support is broad, House and Senate Government Operations Committees draft legislation. 	<ul style="list-style-type: none"> • Constitutional Amendment introduced in 1999 session and seconded in 2000. Vote taken in 2000 general election with first elections subject to four year term in 2002 (off presidential years). 	

(1) See Part III, Vermont Indicators, for measures that relate most directly to these recommendations.

Appendix A: Glossary of Abbreviations

Agencies/Institutions/Programs/Terms

AAPs	Acceptable Agricultural Practices	DHCA	Vermont Department of Housing and Community Affairs
ABCV	Applied Center for Biotechnology of Vermont	DHP	Vermont Division of Historic Preservation
ABE	Adult Basic Education	DOE	Vermont Department of Education
ACCD	Agency of Commerce and Community Development (reorganized ADCA as of July 1, 1996)	DPS	Vermont Department of Public Service
ADCA Affairs	Vermont Agency of Development and Community (reorganized into ACCD as of July 1, 1996)	DSP	VEDA Agricultural Debt Stabilization Program
AHS	Vermont Agency of Human Services	EDI	Electronic Data Interchange
ANR	Vermont Agency of Natural Resources	E-Board	Vermont Environmental Board
AOT	Vermont Agency of Transportation	EPSCoR	Experimental Program to Stimulate Competitive Research
AVIC	Association of Vermont Independent Colleges	FRAC	Forest Resources Advisory Council
BI&S	Vermont Department of Banking, Insurance, and Securities	FY	Fiscal Year
BMPs	Best Management Practices Regulations	GAAP	Generally Accepted Accounting Principles
BOE	Vermont Board of Education	GASB	Government Accounting Standards Board
CAFR	Vermont State Comprehensive Annual Financial Report	GIS	Geographic Information Systems
CDBG	Community Development Block Grant Program	HRIC	Human Resources Investment Council
DAFM	Vermont Department of Agriculture, Food & Markets	HUD	U.S. Department of Housing and Urban Development
DEC	Vermont Department of Environmental Conservation	ITP	International Trade Program (part of DED)
DED	Vermont Department of Economic Development	ISDN	Integrated Services Digital Network
DET	Vermont Department of Employment and Training	ISTEA	Intermodal Surface Transportation Efficiency Act
DFPR	Vermont Department of Forests, Parks, & Recreation	JFO	Joint Fiscal Office
DFM	Vermont Department of Finance and Management	L&I	Vermont Department of Labor and Industry
		LCAR	Legislative Committee on Administrative Rules
		LRTP	Agency of Transportation's Long Range Transportation Plan
		MOU	Memorandum of Understanding
		NERC	New England Rail Consortium

NETI	New England Transportation Initiative	VDFP	Vermont Department of Forests and Parks
NHS	National Highway System	VDFW	Vermont Department of Fish & Wildlife
N.I.S.T.	National Institute of Standards and Technology	VHCB	Vermont Housing and Conservation Board
P.O.E.T.S.	Partnership of Environmental Technology and Science	VHEC	Vermont Higher Education Council
PSB	Vermont Public Service Board	VIT	Vermont Interactive Television
RDC	Regional Development Corporation	VLCT	Vermont League of Cities and Towns
REDWG	FRAC Rural Economic Development Work Group	VLS	Vermont Law School
RPC	Regional Planning Commission	VMEC	Vermont Manufacturing Extension Center
SBA	Small Business Administration	VOSHA	Vermont Occupational Safety and Health Act
SBDC	Small Business Development Center	VPEP	Vermont Partnership for Economic Progress
SBIR	Small Business Innovation Research Program	VSAA	Vermont Ski Areas Association
STIP	State Transportation Improvement Plan	VSAC	Vermont Student Assistance Corp.
STW	School-to-Work Initiative	VSEC	Vermont Science and Education Center
TRC	Travel and Recreation Council	VSC	Vermont State Colleges
TSAC	Tower Siting Advisory Committee	VTC	Vermont Technical College
TTCV	Telecommunications Technology Council of Vermont	VTP	Vermont Training Program
UCC	Uniform Commercial Code	VWMA	Vermont Wood Manufacturers' Association
USSCS	U.S. Soil Conservation Service	WIBs	Workforce Investment Boards
UVM	University of Vermont	WTO	Vermont World Trade Office
VAPDA	Vermont Association of Planning & Development Agencies		
VBR	Vermont Business Roundtable		
VBSR	Vermont Businesses for Social Responsibility		
VCFS	Vermont Center for Food Science		
VCGI	Vermont Center for Geographic Information, Inc.		
VDTM	Vermont Department of Tourism and Marketing		
VEDA	Vermont Economic Development Authority		
VEPC	Vermont Economic Progress Council		

Appendix B: Hearing and Work Group Participants

Hearing on Tax & Fiscal Policy, May 20, 1996

Presenters:

William Sorrell, Secretary of Administration
Sen. Steven Webster, Chair, Senate Finance Committee
Rep. John Freidin, Vice-Chair, House Ways & Means Committee
Dr. Arthur Woolf, University of Vermont

Reaction Panel:

David Coates, CPA, Key Bank of Vermont
John Dranow, New England Culinary Institute
Michael Flynn, CPA, Gallagher, Flynn & Co.
Clark Hinsdale III, Vermont Farm Bureau
Steven Jeffrey, Vermont League of Cities and Towns

Hearing on Regulatory Reform, June 10, 1996

Presenters:

Barbara Ripley, Secretary of Natural Resources
Mary Hooper, Commissioner of Labor & Industry

Reaction Panel:

Jack von Behren, Business Consultant
Leon Berthume, St. Albans Co-op Creamery
Steven Holmes, Vermont Natural Resources Council
Rep. Carl Reidel, University of Vermont
William Sayre, Associated Industries of Vermont
Bill Stenger, Jay Peak Resort

Hearing on Transportation, July 8, 1996

Presenters:

Sen. Richard Mazza, Chair, Senate Transportation Committee
Rep. Richard Pembroke, Chair, House Transportation Committee
J.J. Hamilton, Burlington International Airport
Bruce Bender, Vermont Agency of Transportation

Reaction Panel:

Jane Brown, Dubois & King
Dale Carlstrom, New England Central Railroad
Rep. Walter Freed, Johnson's Fuel Service, Inc.
Deborah Linehan, Chittenden County Transportation Authority
Edward Miller, Esq., Vermont Truck and Bus Association
Sue Kruthers Moore, Vermont Chamber of Commerce
Tom Sparrow, AAA-Vermont

Transportation Work Group

Richard Dabiri, Northeastern Vermont Development Association
Catherine Dimitruk, Northwest Regional Planning Commission
Barry Driscoll, Agency of Transportation
Cindy Garso, Agency of Transportation
Phil Hodge, Rutland Transportation Advisory Committee
Jim Matteau, Windham Regional Commission
Greg Maguire, Agency of Commerce and Community Development
Sue McMahon, Windham Regional Commission
Dean Pierce, Rutland Regional Planning Commission
Kathy Sweeten, Vermont Lodging & Restaurant Association (VEPC)
Charlie Wise, Rutland Transportation Advisory Committee

Appendix C: State-Sponsored Business Assistance Resources

From The April, 1996 Vermonter's Guide to Doing Business, by the Department of Economic Development. See Guide for full description of the organizations and programs described below. The Guide also includes information on community-based technical, financial, and other business assistance programs. All area codes are 802 unless otherwise noted.

VT Department of Economic Development

Montpelier. (800) 341-2211 or 828-3221

DED offers information and assistance for —

- International trade (relocations and exports)
- Financing
- Procurement of government contracts
- Marketing (Market Vermont Program)
- Permitting
- Site locations
- Training (Vermont Training Program)

Regional Development Corporations

RDCs are in 12 geographic regions around the state. They serve as “satellites” for DED and make connections for and assist businesses seeking to locate in their region.

- Addison County Economic Development Corp. 388-7953
- Bennington County Industrial Corp. 442-8975
- Brattleboro Development Credit Corp. 257-7731
- Central Vermont Economic Development Corp. 223-4654
- Franklin County Industrial Development Corp. 524-2194
- Greater Burlington Industrial Corp. 862-5726
- Green Mountain Economic Development Corp. (White River Junction) 295-3710
- Lake Champlain Islands Chamber of Commerce. 372-5683
- Lamoille Economic Development Corp. 888-5640
- Northeastern Vermont Development Association. 748-5181
- Rutland Economic Development Corp. 773-9147
- Springfield Economic Development Corp. 885-3061

Regional Planning Commissions

The 12 RPCs provide assistance to towns in planning economic development. They also provide secondary assistance to citizens and businesses, especially with data and permitting issues. RPCs are listed in area phone books.

Small Business Development Center

Housed with the RDCs and at Randolph Center, the SBDC provides free technical assistance (business planning, marketing help, referrals) to start-up and growing businesses. Sponsors low cost seminars. Maintains a resource and information library. (800) 464-SBDC.

Vermont Manufacturing Extension Center

VMEC helps small and medium-sized manufacturers increase productivity and improve competitiveness through training and education, manufacturing and process control, materials and components, sourcing and procurement, and ISO 9000 training. 728-1432.

Micro Business Development Program

Promotes self-employment and business expansion opportunities for low-income Vermonters through free one-to-one technical assistance and business development workshops. MBDP specialists work in the regional Community Action Program (CAP) agencies:

- Bennington-Rutland Opportunity Council. (800) 717-2762
- Central VT Community Action Council (800) 639-1053
- Champlain Valley Office of Economic Opportunity: (800) 287-7971
- NE Kingdom Community Action Council: (800) 639-4065
- SE Vermont Community Action Council: (800) 464-9951

Northeast Employment and Training Organization

Manages the Entrepreneurial Training Program which provides statewide technical assistance and small business management courses. 748-8935.

World Trade Office

Provides technical assistance and counseling to companies seeking overseas markets for export of products and services. Maintains an extensive data base, offers seminars, and helps make contacts.

- Burlington: (802) 860-0091 or (800) 305-8321
- Montpelier: (802) 828-3637 or (800) 341-2211

FINANCIAL ASSISTANCE

Vermont Economic Development Authority

VEDA provides low-interest loans in combination with other financing. Loan programs include:

- Direct Loans — for land, buildings and improvements, machinery, and equipment
- Industrial Revenue Bonds (IRBs)
- Mortgage Insurance — to insure commercial loans
- Rural Economic Activity Loans — low-interest direct loans for fixed assets, inventory, accounts receivable
- Agricultural Facility and Debt Stabilization Loans — for agricultural operating and facility loans
- Vermont Job Start — direct loans to start, strengthen or expand a small business

VEDA: 223-7226 Job Start: 229-5627

Revolving Loan Funds

Many regional and local funds exist throughout Vermont. Often used in conjunction with other sources.

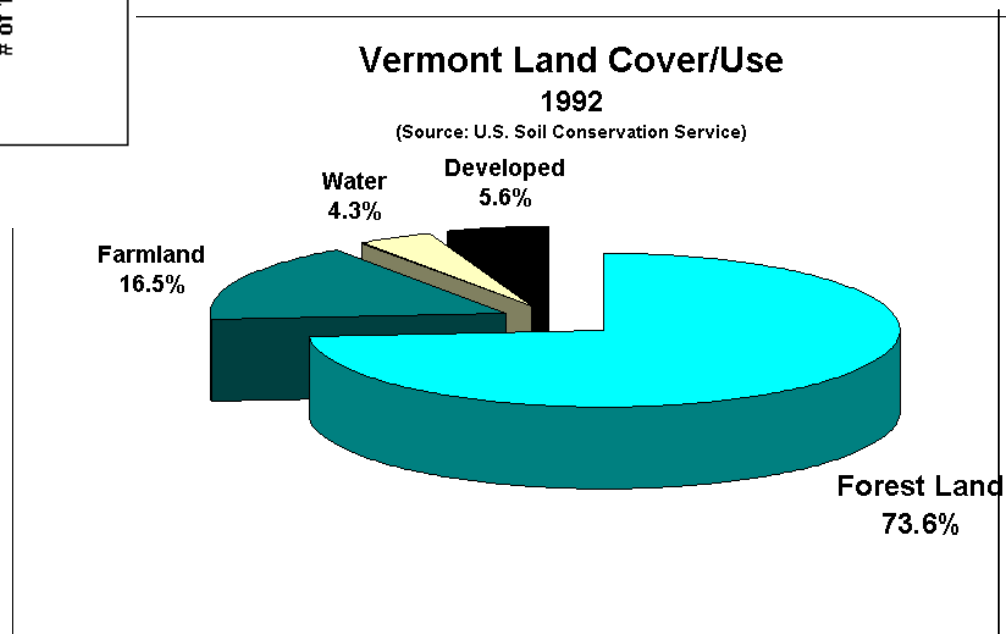
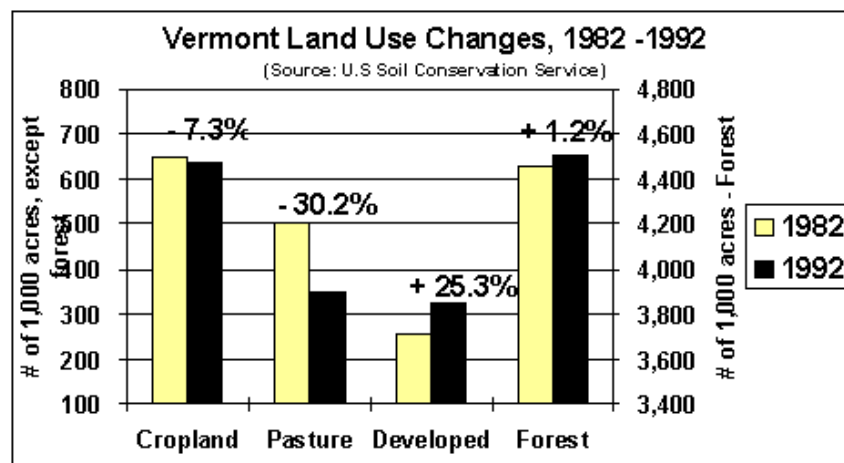
- Addison County Economic Development Corp. 388-7953
- Bradford Area Consortium. 748-5181
- Connecticut River Development Bank. 674-9202
- Connecticut River Revolving Loan Fund. 295-3710
- Economic Development Council of Northern Vermont. 524-4546
- EDC Fund, Southern Vermont Development Council. 773-4333
- Franklin County Industrial Development Corp. 524-2194
- Lamoille Economic Development Corp. 888-5640
- Newport Area Consortium. 748-5181
- Northeastern Vermont Development Assoc. 748-5181
- Northern Community Investment Corp. 748-5101
- Rutland Economic Development Corp. 773-9147
- St. Johnsbury-Lyndon. 748-1265

There are also over 30 local revolving loan funds. For details, see The Vermonter's Guide to Doing Business.

Vermont Community Development Program

Administered by the Department of Housing and Community Affairs in Montpelier, VCDP provides planning and implementation grants to municipalities for economic development, housing, public facilities, and public services. 828-3217.

Appendix D: Land Cover/Use



Appendix E: Human Resources Investment Council Accountability Indicators

(As Proposed, December 15, 1996)

Area I — Employment

Desired Outcome — All Vermonters will have basic workplace skills:

- Percent and number of Vermont schools using *Vermont Framework of Standards and Learning Opportunities*
- Percent and number of education and training programs using SCANS (U.S. Secretary of Labor's Commission on Achieving Necessary Skills) skills mastery as an outcome measure
- Percent and number of Vermonters who achieve mastery of *Vermont Framework of Standards and Learning Opportunities*

Desired Outcome — All Vermonters will have reading, writing, and math skills necessary to achieve self-sufficiency through employment:

- Percent and number of *non-literate* adults (age 18+) successfully completing basic literacy training in the workplace during the past year
- Percent and number of *non literate* adults (age 18+) successfully completing basic literacy training related to employment

Desired Outcome — Vermonters will make successful transitions from school to work:

- Percent and number of high school graduates who enter college programs
- Percent and number of 11th and 12th graders who enter and complete secondary technical education programs
- Percent and number of high school graduates who enter and complete Registered Adult Apprenticeship programs
- Percent and number of 11th and 12th graders who enter and complete Student Apprenticeships
- High school drop-out rate
- Number of GEDs granted as a portion of all high school completion certificates
- Percent and number of technical center and Student Apprenticeship completers who enter jobs related to their studies

Desired Outcome — Education and training programs are responsive to growth and emerging industries:

- Percent and number of completed apprenticeships in growth and emerging occupations
 - Percent and number of those working in related jobs one year after completion of apprenticeship
-

- Percent and number of apprenticeable trades in growth and emerging areas certified by the Apprenticeship Board
- Percent and number of workplace training programs in growth and emerging occupations (*excluding* apprenticeships)

Desired Outcome — Vermont employers provide workforce with quality occupational education and training:

- Dollar amount and percent of employer payroll dedicated to training and education
- Percent and number of workers who have completed employer-sponsored occupational specific training courses within the past 12 months
- Percent and number of employers who are satisfied with training or skill development of their employees

Desired Outcome — An effective balance between labor force and jobs:

- Percent and number of unemployed people remaining unemployed 27 or more weeks

Desired Outcome — The Vermont workforce is flexible and adaptable:

- Percent and number of dislocated workers re-employed within one year of dislocation date, at 90 percent or more of their previous wage

Area II — Wages

Outcome — Wages for all Vermonters will increase:

- Percent and number of Vermonters at or below the poverty level
- Average annual wage (U.I. covered employment — public and private sectors)

Area III — Productivity

Desired Outcome — Productivity of Vermonters will increase:

- Worker productivity rate
- Per capita gross state product

Desired Outcome — Regional Workforce Investment Boards will be established statewide:

- Number of regional workforce investment boards (WIBs) formed
 - Number of education and training regional agency plans reviewed and approved by WIBs
 - Number of WIBs that have regional workforce development plans in place
-

Appendix F: Objectives of Two Recent Statewide Economic Planning Efforts`

I. Governor's Commission on the Economic Future of Vermont: *Pathways to Prosperity* (1989)

Co-Chaired by Dick Chapman and Al Moulton, the Commission involved several hundred people in developing a strategic economic report. Fifteen focus groups considered issues in agriculture, capital formation, communications, education, energy, environmental protection, finance, insurance, and real estate, health care, housing, human resources, manufacturing, recreation and travel, government, retail and wholesale trade, and transportation. In addition, 15 public hearings were held.

Overall Economic Objectives

- (1) Aggregate wealth must be increased to offer Vermonters more control of their own lives.
- (2) The wealth of the state must be spread into more remote areas.
- (3) Geographic barriers that inhibit economic opportunity must be eliminated.

Sector-Specific Economic Objectives

- Preserve and enhance **Manufacturing's** relative position as an economic generator
- Disperse geographic growth in **Travel, Hospitality, and Recreation**, increase "off-peak" activity, and develop year-round anchor attractions
- Provide for **Retail Trade** growth in population centers

- Reverse the decline in **Agriculture** by putting more acres in farm production and increasing the amount of food, and diversifying the types of food, produced in Vermont
- Expand **Service** industries where jobs offer employment opportunities comparable to manufacturing, bring new capital into the state, and advance the objectives of other sectors. In particular, work to become a leader in communications and information industries
- Support **Education** institutions that produce the intellectual capital to drive future economic performance and progress

Human Resource Objectives

- (1) Devise and operate a top-ranked education system that realizes the maximum potential of each Vermont student, young or old.
- (2) Provide adequate housing to enhance the workforce and guarantee decent affordable dwellings to meet basic needs.
- (3) Reduce the threat of economic consequences arising from rising health care costs and lack of access to the medical system.
- (4) Provide incentives and support services needed to recruit employees from the non-working population.

Natural Resource Objectives

- (1) Increase farming, forestry, mining, and recreation uses through the expansion of enterprises that prosper because of careful management, and add value to land-based products before they leave Vermont.
- (2) Make room in rural areas for cottage industries, home-based work, and entrepreneurial ventures that preserve and revitalize rural communities and have no adverse infrastructure or environmental impact.

II. Grafton Retreat (1993)

Chaired by David Wolk and facilitated by Roberta Harold, 40 Vermonters met for two days to create a process for building a long-term economic development plan. The retreat involved leaders from the private sector, Vermont Legislature, state government, higher education, and planning and development agency directors. They recommended establishing the Vermont Partnership for Economic Progress (VPEP). Members were to be appointed by the Governor and include representation from around the state and various industries. As noted in the introduction of this report, VPEP led to the creation of the Vermont Economic Progress Council.

Attendees developed a working definition for “economic development” — a *process* to foster and increase the development of both human resources and physical capital; equitably distribute benefits, both among people and geographic regions, and be responsive and accountable to the needs of all residents; and to move the state towards environmental and economic sustainability.

Guidelines suggested by the attendees for the state’s economic development plan:

1. Be both a strategic and working plan that identifies implementers
 2. Have measurable, achievable goals
 3. Be above partisan interests yet politically feasible
 4. Be driven by grassroots/regional leadership
 5. Incorporate a long-term vision, transcend the two-year election process, and give the plan/process a chance to work
 6. Identify markets and sources of business that “fit” Vermont
 7. Be proactive, not reactive or merely crisis-oriented
 8. Identify respective roles of private and public sectors
 9. Focus on what we can influence and change
 10. Provide opportunity to benefit all Vermonters
 11. Integrate economic and environmental goals
 12. Be capable of measurement against benchmarks
 13. Foster economic competitiveness and flexibility for Vermont businesses
 14. Achieve diversity in Vermont’s economy
 15. Produce predictable, policy-guided regulation
 16. Develop critical infrastructure, especially telecommunications networks
 17. Incorporate, consider, and reflect values important to Vermonters
 18. Recognize limitations of public policy role in economic growth
 19. Distinguish between short-, medium-, and long-term goals
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Appendix G: Legislation Establishing the Vermont Economic Progress Council

Sec. 1. 10 V.S.A. chapter 29, subchapter 3, is added to read:

Sec. 699. LEGISLATIVE FINDING AND PURPOSE

The general assembly finds that long-term economic development planning is needed to build a diverse and sustainable economy, and to increase the well-being of Vermonters and their communities, without compromising the quality of our environment. This chapter is intended to enable Vermont to create and continually revise a long-term economic planning process. The general assembly further finds that the views of people from the public and private sector, including Vermonters from business, education and government, are essential in order to develop a process for long-range economic planning and job creation. The Vermont Economic Progress Council will be a forum for government and the private sector to work together in the public interest to create economic development plans for a diverse, sustainable economy for Vermont.

Sec. 699a. VERMONT ECONOMIC PROGRESS COUNCIL MEMBERSHIP

- (a) The Vermont Economic Progress Council is created. The Council shall consist of 15 members who shall be:
 - (1) the Secretary of the Agency of Commerce and Community Development;
 - (2) twelve members, appointed by the Governor, who shall consist of one representative each from the manufacturing, education, agriculture, and travel and tourism sectors, and eight members appointed for their expertise in the issues on the council's economic planning agenda established under section 699(b) of this title. In making such appointments the Governor shall consider the need for diverse views from different constituencies, including men, women and minority business owners.
 - (3) one House member to be appointed by the Speaker of the House to serve each biennium, and
 - (4) one Senate member to be appointed by the Committee on Committees to serve each biennium.
- (a) The twelve members appointed by the Governor shall serve at the pleasure of the Governor, but in making appointments the Governor shall insure sufficient continuity in membership to permit efficient and effective functioning of the Council. When appointing members, the Governor shall consider persons who understand who understand the sectors they represent, who are able to address the priority issues on Vermont's economic development agenda, and who will adequately represent the interests of the state.

- (b) The Speaker of the House or Senate President Pro Tempore may fill any unexpired term created by the death or resignation of a member appointed pursuant to subdivision (a) (3) or (4) of this section.
- (c) The Council shall elect a chair annually from among its members.
- (d) All meetings of the Council shall be open to the public and subject to subchapter 2 of chapter 5 of Title 1, the open meeting law. Reasonable efforts should be made to hold meetings in different parts of the state.
- (e) The members of the Council shall receive per diem compensation and reimbursement for expense pursuant to 32 V.S.A. Sec. 1010. Members shall also be entitled to reimbursement for necessary dependent care not to exceed \$20.00 per day.

Sec 699b. ECONOMIC PROGRESS COUNCIL — POWERS AND DUTIES

- (a) The Economic Progress Council shall advise the Governor and the General Assembly on long-term economic development planning.
- (b) On or before February 15 of the first year of each session of the General Assembly, the Secretary [of the Agency of Commerce and Community Development] shall appear before appropriate committees of the General Assembly, including at a minimum the House Commerce Committee and the Senate General Affairs and Housing Committee. The Secretary shall propose his or her agenda for the next two years, including a legislative agenda, and solicit from legislators their recommendations on the significant economic development issues facing the state's economy. The proposed agenda shall identify the priority economic issues facing Vermont, be consistent with the policies and purposes stated in section 699 of this title, and be coordinated with the state's ten year economic development plan. During such consultations the Secretary shall attempt to develop a consensus among the executive and legislative branches of government, and the public and private sectors, on Vermont's economic development planning agenda. After such consultations, the Secretary shall set the state's economic development for the next two years.
- (c) In fulfilling its economic development planning responsibilities, the Council may:
 - (1) solicit the assistance of individuals or groups with interests or expertise in the particular subject before the Council;
 - (2) request the assistance and cooperation of any state, local agency or governmental unit in collecting economic development information and conducting economic development planning. Such state and local agencies and governmental units shall provide reasonable assistance to, and cooperate with the Council in the discharge of its responsibilities;

- (3) appoint one or more task forces, composed of individuals from the public and private sectors, to assist the Council in its economic development planning; and
 - (4) perform such other activities as are necessary to carry out the purpose of this chapter.
 - (5) subject to the provisions of section 5 of Title 32, accept grants, gifts, donations or other things of value from a donor which is a qualified nonprofit organization under section 501(c)(3) of the federal Internal Revenue Code for sums up to \$200,000.00 to assist in defraying the costs of fulfilling the purposes of this chapter.
 - (6) execute contracts or provide grants, regarding professional or administrative services, to fulfill the purposes of this chapter.
 - (7) establish and administer a special fund, as provided under subchapter 5 of chapter 7 of Title 32, to be known as the Vermont Economic Progress Council study fund for the purposes of fulfilling subdivisions (5) and (6) of this subsection. Revenues to the fund shall be those funds collected pursuant to subdivision (5) of this subsection.
 - (8) before January 15 of each year, report to the general assembly the names of each donor and the amount donated under subdivision (5) of this subsection, and the names of the contractors and grantees and the amounts contracted for or granted under subdivision (6) of this subsection, which list shall include the donations made during the fiscal year to date, as well as all donations made during the previous fiscal year.
- (d) The Council shall consult and cooperate with the Telecommunication Technology Council of Vermont, and any other council or committee established by law or executive action relating to economic development.
- (e) (1) The Council shall report to the Governor and the General Assembly on or before December 15 of each year its recommendations for implementing the state's long-term economic development planning agenda. Such recommendations shall contain goals, anticipated budgets, evaluation mechanisms, and proposals for legislation where necessary. The Agency of Commerce and Community Development shall provide administrative and clerical support to the Council.
- (1) The Council's December 15, 1994 report [and succeeding reports] for implementing the state's economic planning agenda may include recommendations on the following issues:
- (C) Procedural or structural changes to state government to improve its ability to deliver services efficiently and effectively. The Council may incorporate the findings and conclusions of studies performed by other branches of state government.
 - (D) The ability of business to obtain permits and approvals.
 - (E) How to better integrate kindergarten through twelfth grade education into the long-term economic development planning process.

- (F) How to better integrate higher education into the long-term economic development planning process.
- (G) Measures to improve the integration of marketing efforts in the state government and the integration of state marketing efforts in the private sector.
- (H) How to maximize cost-effective energy efficiency and renewable energy resources in conjunction with the long-range economic development activities of the state.
- (I) How to better integrate the goals for Vermont's environmental protection laws and the state's economic development and job creation goals.
- (J) The development of the state's telecommunications network.
- (K) The link between public transportation systems and economic opportunities.
- (L) The policy objectives and benchmarks set forth in the Vermont Partnership for Economic Progress report dated December 15, 1993, as modified from time to time.

Sec. 2. APPROPRIATION — VERMONT ECONOMIC COUNCIL STAFF

- (a) [Appropriations will be made] from the general fund to the Agency of Commerce and Community Development for the purpose of funding the position authorized in this section, as well as any operating expenses of the Vermont Economic Progress Council.
- (b) One new permanent exempt position - Executive Director - is authorized in the Department of Economic Development in the fiscal year 1995 [and has continued in fiscal years 1996, 1997 and 1998.]

Sec. 31. EFFECTIVE DATES

This act shall take effect on July 1, 1994.

Sec. 32. SUNSET OF THE ECONOMIC PROGRESS COUNCIL

Sec. 1 and Sec. 2 shall be repealed on June 30, 1998, unless otherwise provided for by an act of the General Assembly.